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SOUTHERN INYO HEALTHCARE DISTRICT

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re
SOUTHERN INYO HEALTHCARE
DISTRICT,

Debtor.

Case No.: 2016-10015 FEC
Chapter 9
Doc. No. BH-20

**EXHIBITS TO SECOND AMENDED
PLAN FOR THE ADJUSTMENT OF
DEBTS OF SOUTHERN INYO
HEALTHCARE DISTRICT AND
DISCLOSURE STATEMENT RELATING
THERETO**

BAKER & HOSTETLER LLP
ATTORNEYS AT LAW
LOS ANGELES

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EXHIBIT 1

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

SOUTHERN INYO HEALTHCARE DISTRICT,

Debtor.

Case No.: 2016-10015 FEC

Chapter 9

BALLOT FOR ACCEPTING OR REJECTING

SECOND AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS

Southern Inyo Healthcare District (the “District”) filed the Second Amended Plan for the Adjustment of Debts (the “Plan”) and the associated Disclosure Statement (the “Disclosure Statement”) on January 17, 2018, in the above-captioned bankruptcy case (the “Bankruptcy Case”), pending before the Honorable Fredrick E. Clement in the above-referenced bankruptcy court (the “Court”).

The Disclosure Statement provides information to assist you in deciding how to vote on the Plan. If you have not received a copy of the Disclosure Statement, you may obtain a copy from counsel for the District by emailing Michael T. Delaney, Esq. at mdelaney@bakerlaw.com or Ashley M. McDow, Esq. at amcdow@bakerlaw.com. Court approval of the Disclosure Statement does not indicate approval of the Plan by the Court.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim under the Plan. By this ballot you will decide whether to accept or reject this Plan.

The Plan referred to in this ballot can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of claims in each class voting on the Plan. If the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan if the Court finds that the Plan provides fair and equitable treatment to the class or classes rejecting it and otherwise satisfies the requirements of 11 U.S.C. §§ 943 and 1129(b). If the Plan is confirmed by the Court it will be binding on you whether or not you vote.

To complete the ballot, clearly mark the box for accepting or rejecting the Plan and insert the identifying information requested, and, thereafter, return the ballot by email or first class mail to the addresses listed below.

ACCEPTANCE OR REJECTION OF THE PLAN

The undersigned, the holder of a claim in Class _____ of the Plan, in the amount of \$_____,¹

☐ Accepts the Plan

☐ Rejects the Plan

If the undersigned is the holder of a Class 3 claim, such holder may elect to receive treatment as the holder of a Class 4 claim by initialing the ballot here: _____. As set forth in the Plan, the election to accept treatment as a Class 4 claim constitutes a waiver of the right to receive treatment pursuant to Class 3 of the Plan. If no election is made, the claim shall be treated as a Class 3 claim under the Plan.

Print or type name: _____

Signed: _____

If appropriate, by: _____ as _____

Address: _____

Email: _____

Phone: _____

Return this ballot so it is received on or before [TBD] to:

Ashley M. McDow
Michael T. Delaney
Baker & Hostetler, LLP
11601 Wilshire Blvd., Ste. 1400
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Email: amcdow@bakerlaw.com
mdelaney@bakerlaw.com

If your ballot is not timely received, your vote may not count as either an acceptance or rejection of the Plan.

¹ The claim amount set forth herein will not prejudice the rights of the District or any other party in interest from objecting to the amount of such claim for allowance and distribution purposes.

EXHIBIT 2

Audited Financial Statements
SOUTHERN INYO
HEALTH CARE DISTRICT

June 30, 2013

TCA Partners, LLP
Certified Public Accountants

Management's Discussion and Analysis

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2013

The management of the Southern Inyo Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2013 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2013 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Financial Highlights

- Total assets increased by \$944,000 from the prior fiscal year.
- Total operating cash and cash equivalents decreased by \$198,000 over the prior year.
- Net patient accounts receivable decreased by \$22,000. Net days in patient accounts receivable were 43.38 for the current year as compared to 46.49 for the prior year.
- Current liabilities increased by \$817,000 from the prior fiscal year.
- Long-term debt decreased by \$69,000 from the prior year
- The increase in net position was \$129,000 for 2013 as compared to a decrease of \$(19,000) in 2012.

Cash and Investments

For the fiscal year ended June 30, 2013, the Hospital's operating cash and cash equivalents totaled \$27,000 as compared to \$119,000 in the prior fiscal year. At June 30, 2013, days cash on hand was 3.87 as compared to the prior year of 6.27. The majority of the Hospital's cash is deposited with local banks and in other short-term money market accounts to maintain liquidity.

Management's Discussion and Analysis (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and bad debt provisions. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

Deductions from revenue (as a percentage of gross patient service charges) were 18.47% for the current fiscal year as compared to 29.76% for the prior fiscal year. The decrease in deductions from revenue was due primarily to favorable settlements due to Medicare critical access status and better efficiencies within the patient accounts receivable related to billing and collections.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues increased by \$327,000 in the current fiscal year over the prior year. This was primarily due to decreases in deductions from revenues as previously mentioned.

Operating Expenses

Total operating expenses were \$9.0 million for the current fiscal year compared to \$8.4 million for the prior fiscal year. The changes were as follows:

- A \$86,000 increase in salaries and wages. The changes are following the same trends in increases as noted in prior years as FTE's remain fairly consistent from year to year.
- A \$189,000 decrease in employee benefits due to better cost efficiencies.
- A \$139,000 increase in professional fees due mainly to rural health clinic volume increases.
- A \$63,000 increase in supplies due to lower inventory levels at year end.
- A \$212,000 increase in purchased services.

TCA Partners, LLP

A Certified Public Accountancy Limited Liability Partnership

1111 East Herndon Avenue, Suite 211, Fresno, California 93720

Voice: (559) 431-7708 Fax: (559) 431-7685

Report of Independent Auditors

The Board of Directors
Southern Inyo Health Care District
Lone Pine, California

We have audited the accompanying financial statements of the Southern Inyo Health Care District, a district hospital (the Hospital) which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Balance Sheets

SOUTHERN INYO HEALTH CARE DISTRICT

	June 30	
	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,389	\$ 119,215
Assets limited as to use available for current obligations	20,953	16,279
Patient accounts receivable, net of allowances	911,219	932,507
Other receivables	372,702	96,528
Estimated third party payor settlements	409,107	176,581
Inventories	61,499	132,480
Prepaid expenses and other current assets	<u>62,072</u>	<u>30,478</u>
Total current assets	1,864,941	1,504,068
Assets limited as to use, less available for current obligations	49,801	1,144,711
Capital assets, net of accumulated depreciation	2,700,306	1,019,024
Other assets		<u>3,696</u>
	<u>\$ 4,615,048</u>	<u>\$ 3,671,499</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of debt borrowings	\$ 242,971	\$ 309,335
Bank overdraft	106,405	
Accounts payable and accrued expenses	1,136,456	408,046
Accrued payroll and related liabilities	<u>275,563</u>	<u>226,797</u>
Total current liabilities	1,761,395	944,178
Debt borrowings, net of current maturities	<u>1,700,000</u>	<u>1,702,732</u>
Total liabilities	3,461,395	2,646,910
Net position:		
Invested in capital assets, net of related debt (deficit)	2,697,574	(748,043)
Unrestricted	<u>(1,543,921)</u>	<u>1,772,632</u>
Total net position	<u>1,153,653</u>	<u>1,024,589</u>
	<u>\$ 4,615,048</u>	<u>\$ 3,671,499</u>

See accompanying notes and auditor's report

Statements of Cash Flows

SOUTHERN INYO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	\$ 7,356,516	\$ 7,087,736
Cash received from operations, other than patient services	58,487	45,647
Cash payments to suppliers and contractors	(2,876,049)	(2,915,335)
Cash payments to employees and benefit programs	<u>(4,982,186)</u>	<u>(5,009,941)</u>
Net cash (used in) operating activities	(443,232)	(791,893)
Cash flows from noncapital financing activities:		
District tax revenues	846,091	894,042
Grants and contributions	<u>505,255</u>	<u>78,623</u>
Net cash provided by noncapital financing activities	1,351,346	972,665
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of disposals and reclassifications	(2,050,087)	(530,495)
Net change in other assets	3,696	7,393
Proceeds from debt borrowings		1,700,000
Principal payments on debt borrowings and reclassifications	(69,096)	(186,413)
Interest payments on debt borrowings	<u>(82,760)</u>	<u>(60,802)</u>
Net cash provided by (used in) capital financing activities	(2,198,247)	929,683
Cash flows from investing activities:		
Net change in assets limited as to use	1,092,236	(1,143,084)
Interest and dividends received from investments	<u>1,586</u>	<u>2,626</u>
Net cash provided by (used in) investing activities	<u>1,091,822</u>	<u>(1,140,458)</u>
Net increase (decrease) in cash and cash equivalents	(198,311)	(30,003)
Cash and cash equivalents at beginning of year	<u>119,215</u>	<u>149,218</u>
Cash and cash equivalents at end of year (bank overdraft)	<u>\$ (79,096)</u>	<u>\$ 119,215</u>

See accompanying notes and auditor's report

Notes to Financial Statements

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Southern Inyo Health Care District (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to state or federal income taxes. The Hospital is governed by a five-member board of directors who are elected to specific terms. The Hospital, located in Lone Pine, California, is comprised of a 4-bed acute care unit and a 33-bed distinct-part skilled nursing unit. The Hospital provides services both on an inpatient and outpatient basis.

Basis of Preparation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Hospital's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments: The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities, when present, are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Positions: Net positions are presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on those assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenues. Services provided are recorded through the accounting records of the Hospital as gross patient service revenues and then entirely written off.

District Tax Revenues: The Hospital receives approximately 14% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Grants and Contributions: From time to time, the Hospital receives grants from various governmental agencies and private organizations. The Hospital also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments consist of funds deposited in the LAIF funds which invests in several market pools as allowed according to public restrictions on investments. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

NOTE C - NET PATIENT SERVICE REVENUES

Gross and net patient service revenues summarized by payor are as follows:

	<u>2013</u>	<u>2012</u>
Daily hospital services	\$ 3,296,248	\$ 3,533,648
Inpatient ancillary services	1,002,433	1,456,613
Outpatient services	<u>5,106,448</u>	<u>5,460,806</u>
Gross patient service revenues	9,405,129	10,451,067
Less deductions from gross revenues	<u>(1,737,375)</u>	<u>(3,109,826)</u>
Net patient service revenues	<u>\$ 7,667,754</u>	<u>\$ 7,341,241</u>

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for acute care services rendered to Medicare program beneficiaries are paid on cost reimbursement principles. The Hospital was classified as a critical access hospital effective April 1, 2001. The Hospital is paid for services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2013, cost reports through June 30, 2011, have been audited or otherwise final settled.

Medi-Cal: Payments for inpatient acute care services rendered to Medi-Cal patients are made based on reasonable costs. Other services are paid based on pre-determined rates. The Hospital is paid for cost reimbursement services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. At June 30, 2012, cost reports through June 30, 2010, have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare, Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use were comprised of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents under agreements:		
Held by the Hospital in trust and for future projects	\$ 55,113	\$ 1,144,711
Held by the Hospital for patients in long-term care	<u>15,641</u>	<u>16,279</u>
	70,754	1,160,990
Less available for current obligations	<u>(20,953)</u>	<u>(16,279)</u>
	<u>\$ 49,801</u>	<u>\$ 1,144,711</u>

NOTE G - EMPLOYEES' RETIREMENT PLANS

The Hospital has a defined contribution retirement plan covering substantially all of the Hospital's employees. The Hospital's policy is to fund pension costs incurred. The Hospital's pension expense for the plan, which is based on a percentage of the employees' compensation, was approximately \$62,000 and \$60,000 during the years ended June 30, 2013 and 2012, respectively.

NOTE H - RELATED PARTY TRANSACTIONS

The Southern Inyo Hospital Auxiliary (the Auxiliary), has been established to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Auxiliary, are distributed to the Hospital or held for the benefit of the Hospital. The Auxiliary's funds, which represent the Auxiliary's unrestricted resources, are distributed to the Hospital in amounts and in periods determined by the Auxiliary board and management, who may also restrict the use of funds for Hospital property and equipment replacement, Hospital expansion, reimbursement of expenses, or other specific purposes. Donations in this regard were \$9,705 and \$1,157 for the years ended June 30, 2013 and 2012 respectively. The Auxiliary is not considered a component unit of the Hospital as the Auxiliary, in the absence of donor restrictions, has complete and discretionary control over the amounts, the timing, and the use of its donations to the Hospital and management does not consider the assets to be material to the Hospital.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE J - DEBT BORROWINGS

As of June 30, 2013 and 2012, debt borrowings were as follows:

	<u>2013</u>	<u>2012</u>
Note payable to a credit corporation, payable in monthly installments of principal and interest of \$9,669; interest charged at 4.9%:		\$ 58,910
Note payable to credit corporation, payable in installments of principal and interest based upon federal and state EHR reimbursement	\$ 1,700,000	1,700,000
Bank line of credit (see below)	240,238	245,000
Various other debt obligations:	<u>2,733</u>	<u>8,157</u>
	1,942,971	2,012,067
Less current maturities of debt borrowings	<u>(242,971)</u>	<u>(309,335)</u>
	<u>\$ 1,700,000</u>	<u>\$ 1,702,732</u>

The Hospital has an available line of credit with a local bank with available borrowings up to \$250,000. As of June 30, 2013, \$240,238 was outstanding on this line. Future principal payments on debt borrowings are: \$242,971 in 2014; \$546,000 in 2015; \$566,000 in 2016; \$588,000 in 2017 and \$-0- in 2018.

NOTE K - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2013, the Hospital had \$590,592 in amounts recorded as construction-in-progress representing cost capitalized for various remodeling, major repair, or expansion projects on the Hospital's premises. During times of construction, interest expense associated with construction debt can be capitalized under FAS 62. No interest was capitalized during the year. Future commitments related to these projects are considered minor.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2013 and 2012, were \$260,182 and \$205,034, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2013, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The Hospital may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2013 will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE L -INVESTMENTS

The Hospital's investment balances and average maturities were as follows at June 30, 2013 and 2012:

<i>As of June 30, 2013</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 5,531	\$ 5,531		
Cash equivalents in savings	5,103	5,103		
Mutual funds and money markets	5,313	5,313		
Total investments	<u>\$ 15,947</u>	<u>\$ 15,947</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<i>As of June 30, 2012</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 5,513	\$ 5,513		
Cash equivalents in savings	5,101	5,101		
Mutual funds and money markets				
Total investments	<u>\$ 10,614</u>	<u>\$ 10,614</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The Hospital's investments are reported at fair value as previously discussed. The Hospital's investment policy allows for various forms of investments generally held with government agencies. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways a hospital may manage its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the Hospital's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the Hospital's investments by maturity.

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. Generally a hospital's investment policy for corporate bonds and notes would be to invest in companies with total assets in excess of \$500 million and having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE M - MEDI-CAL RATE REDUCTIONS UNDER AB97 (continued)

The U. S. District Court ruled on the State's request for a modification of the court's previous order for a preliminary injunction prohibiting DHCS from implementing reductions as mentioned above. The modification meant that the State would be able to implement rate cuts on reimbursement paid for a limited period prior to December 28, 2011, the date of the injunction. Payments for services that had been provided, but not yet paid as of that date, would be subject to the rate cut. In a decision handed down March 8, 2012, the judge agreed with the State's argument that they should be able to recover the difference between the rate paid and the reduced rate for services provided prior to December 28, 2011. The judge did however limit the retroactive implementation of the rate cuts to reimbursements for Medi-Cal services rendered but not paid as of December 28, 2011. Subsequent to this, the decision was overturned.

Arguments, discussions and other legislation were proposed, such as AB900 and SB640, over the past year and a half. Recent announcements have been most encouraging. Just this past summer, DHCS issued a statement that they intend to exempt all rural and frontier DP/SNF's (Level B) from AB97. Determination of "rural" status will be defined by OSHPD that uses data from the 2011 Final Database Rural and Frontier from the Metropolitan Study Services Areas Designations. The effective date for this exemption is September 1, 2013, or any other date as approved by the Centers for Medicare and Medicaid Services.

This summer's decision meant that the DP/SNF's operated by the Hospital, as classified by the Department of Health Care Services (DHCS) as "rural" facilities, are exempt from the 10% per diem rate reduction as of September 1, 2013. There still, however, exists a "claw back" period between June 1, 2011 and August 31, 2013 for which the Hospital may be liable.

CHA has been working closely with CMS to have them agree to exempt the DP/SNF's also from the "claw back" period. It now appears that due to recent CMS narratives, the Hospital may be exempt from the "clawback" provision, thus eliminating any possible liability.

NOTE N - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through December 12, 2013, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

EXHIBIT 3

Audited Financial Statements

**SOUTHERN INYO
HEALTHCARE DISTRICT**

June 30, 2014

**TCA Partners, LLP
Certified Public Accountants**

Audited Financial Statements

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2014

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Management's Discussion and Analysis

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2014

The management of the Southern Inyo Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2014 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2014 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Financial Highlights

- Total assets increased by \$21,048 from the prior fiscal year.
- Total operating cash and cash equivalents increased by \$23,206 over the prior year.
- Net patient accounts receivable increased by \$115,780. Net days in patient accounts receivable were 57.05 for the current year as compared to 43.48 for the prior year.
- Current liabilities decreased by \$76,841 from the prior fiscal year.
- Long-term debt decreased only slightly from the prior year.
- The increase in net position was \$462,486 for 2014 as compared to \$129,064 in 2013.

Cash and Investments

For the fiscal year ended June 30, 2014, the Hospital's operating cash and cash equivalents totaled \$50,595 as compared to \$27,389 in the prior fiscal year. At June 30, 2014, days cash on hand was 1.40 as compared to the prior year of 1.14. The majority of the Hospital's cash is deposited with local banks and in other short-term money market accounts to maintain liquidity.

Management's Discussion and Analysis (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

Current Liabilities

As previously noted, current liabilities of the Hospital decreased by \$76,841. The changes were: (1) a decrease in accounts payable and bank overdraft of \$592,574; (2) an increase in current maturities of \$530,780 and (3) a decrease in payroll liabilities of \$15,047.

Capital Assets

During the year, the Hospital reinvested into the facility \$198,112 in various purchases. The depreciation expense of \$324,349 was more than the additions by \$126,237. According to generally accepted accounting principles (GAAP), all property and equipment is recorded at historical costs and depreciated over a useful life as defined by the American Hospital Association. The Hospital does not carry the value of its property and equipment at a fair market value but rather on a historical cost basis less accumulated depreciation. It is management's belief that the fair market value of the Hospital's fixed assets is greater than its recorded historical cost, net of accumulated depreciation.

Volumes

- Total patient days were 10,589 for current fiscal year as compared to 10,917 for the prior year. The slight decrease was due primarily lack of a patient activity for 2014 as compared to 2013.
- The outpatient departments had slight decreases as compared to the prior year.
- Current year rural health clinic visits were 5,272 as compared to 6,131 visits for the prior year

Gross Patient Charges

The Hospital charges all its patients equally based on its established pricing structure for the services rendered. The charge master is evaluated on an ongoing basis to ensure that all only allowable charges are billed to comply with Medicare and Medi-cal regulations.

Inpatient gross patient service charges decreased by \$272,188. This was due primarily to the increase in acute care days of 6 and the decrease in SNF days of 334 over the prior year. The average daily inpatient revenue in the current year was \$11,031 as compared to \$11,777 in the prior year.

Outpatient gross patient service charges decreased by \$540,648 due primarily to drops in outpatient volumes despite increases in rural health care visits.

Management's Discussion and Analysis (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and bad debt provisions. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

Deductions from revenue (as a percentage of gross patient service charges) were 23.53% for the current fiscal year as compared to 18.47% for the prior fiscal year. The decrease in deductions from revenue was due primarily to favorable settlements due to Medicare critical access status and better efficiencies within the patient accounts receivable related to billing and collections.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues decreased by \$1,097,395 in the current fiscal year over the prior year. This was primarily due to an increase in deductions from revenues as previously mentioned.

Operating Expenses

Total operating expenses were \$8,295,697 for the current fiscal year compared to \$9,043,523 for the prior fiscal year. The changes were as follows:

- A \$218,297 decrease in salaries and wages and benefits. The changes are following the same trends in increases as noted in prior years as FTE's remain fairly consistent from year to year.
- A \$197,598 decrease in professional fees due mainly to rural health clinic volume decreases.
- A \$202,731 decrease in supplies due to lower patient volumes during the year.
- A \$139,074 decrease in purchased services, again due to patient volumes.

Management's Discussion and Analysis (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

Economic Factors and Next Fiscal Year's Budget

The Hospital's Board approved the fiscal year June 30, 2015 budget at a recent Board meeting. For fiscal year 2015, the Hospital is budgeted a slight increase in net position. The increase is due to several assumptions:

- A conservative increase in volumes for fiscal year 2015 was budgeted due to the changes in both the inpatient and outpatient volumes in fiscal year 2014 as compared to fiscal year 2013. The utilization is at the Hospital appears fairly consistent due to the support within the community.
- Operating expenses are expected to increase at a higher percent than revenues which is fairly standard throughout California rural hospitals. The nursing shortages may continue to drive up labor and benefits costs as well as registry utilization. The Hospital budgeted for a slight reimbursement increase due to normal third-party rate increases which occur during the year.

The Hospital continues to work towards the mission of providing healthcare needs to the community. The Hospital will also continue to work towards preserving cash and meeting payable obligations.

TCA Partners, LLP

A Certified Public Accountancy Limited Liability Partnership

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Report of Independent Auditors

The Board of Directors
Southern Inyo Health Care District
Lone Pine, California

We have audited the accompanying financial statements of the Southern Inyo Health Care District, a district hospital (the Hospital) which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital at June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

TCA Partners, LLP

Fresno, California
November 24, 2014

Balance Sheets

SOUTHERN INYO HEALTH CARE DISTRICT

	June 30	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,595	\$ 27,389
Assets limited as to use available for current obligations	288,753	20,953
Patient accounts receivable, net of allowances	1,026,999	911,219
Other receivables	89,997	372,702
Estimated third party payor settlements	258,865	409,107
Inventories	102,903	61,499
Prepaid expenses and other current assets	<u>67,877</u>	<u>62,072</u>
Total current assets	1,885,989	1,864,941
Assets limited as to use, less available for current obligations	4,138	49,801
Capital assets, net of accumulated depreciation	<u>2,574,069</u>	<u>2,700,306</u>
	<u>\$ 4,464,196</u>	<u>\$ 4,615,048</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of debt borrowings	\$ 773,751	\$ 242,971
Bank overdraft	19,755	106,405
Accounts payable and accrued expenses	630,532	1,136,456
Accrued payroll and related liabilities	<u>260,516</u>	<u>275,563</u>
Total current liabilities	1,684,554	1,761,395
Debt borrowings, net of current maturities	<u>1,163,503</u>	<u>1,700,000</u>
Total liabilities	2,848,057	3,461,395
Net position:		
Invested in capital assets, net of related debt	874,069	2,697,574
Unrestricted	<u>742,070</u>	<u>(1,543,921)</u>
Total net position	<u>1,616,139</u>	<u>1,153,653</u>
	<u>\$ 4,464,196</u>	<u>\$ 4,615,048</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

SOUTHERN INYO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2014</u>	<u>2013</u>
Operating revenues		
Net patient service revenue	\$ 6,570,359	\$ 7,667,754
Other operating revenue	<u>1,331,095</u>	<u>234,661</u>
Total operating revenues	7,901,454	7,902,415
Operating expenses		
Salaries and wages	4,059,213	4,020,414
Employee benefits	843,442	1,010,538
Professional fees	1,221,049	1,418,647
Supplies	521,210	723,941
Purchased services	480,502	619,576
Utilities and phone	156,152	252,016
Building and equipment rent	299,446	260,182
Insurance	113,074	104,164
Depreciation and amortization	324,308	368,725
Other operating expenses	<u>277,301</u>	<u>265,320</u>
Total operating expenses	<u>8,295,697</u>	<u>9,043,523</u>
Operating loss	(394,243)	(1,141,108)
Nonoperating revenues (expenses)		
District tax revenues	826,512	846,091
Investment income	679	1,586
Interest expense	(76,017)	(82,760)
Grants and contributions	<u>105,555</u>	<u>505,255</u>
Total nonoperating revenues (expenses)	<u>856,729</u>	<u>1,270,172</u>
Increase in net position	462,486	129,064
Net position at beginning of the year	<u>1,153,653</u>	<u>1,024,589</u>
Net position at end of the year	<u>\$ 1,616,139</u>	<u>\$ 1,153,653</u>

See accompanying notes and auditor's report

Statements of Cash Flows

SOUTHERN INYO HEALTH CARE DISTRICT

	Year Ended June 30	
	2014	2013
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	\$ 6,604,821	\$ 7,356,516
Cash received from operations, other than patient services	1,613,800	58,487
Cash payments to suppliers and contractors	(3,621,867)	(2,876,049)
Cash payments to employees and benefit programs	<u>(4,917,702)</u>	<u>(4,982,186)</u>
Net cash (used in) operating activities	(320,948)	(443,232)
Cash flows from noncapital financing activities:		
District tax revenues	826,512	846,091
Grants and contributions	<u>105,555</u>	<u>505,255</u>
Net cash provided by noncapital financing activities	932,067	1,351,346
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of disposals and reclassifications	(198,112)	(2,052,087)
Net change in other assets		3,696
Proceeds from debt borrowings		
Principal payments on debt borrowings and reclassifications	(5,596)	(69,096)
Interest payments on debt borrowings	<u>(76,017)</u>	<u>(82,760)</u>
Net cash (used in) capital financing activities	(279,725)	(2,200,247)
Cash flows from investing activities:		
Net change in assets limited as to use	(222,137)	1,092,236
Interest and dividends received from investments	<u>679</u>	<u>1,586</u>
Net cash provided by (used in) investing activities	<u>(221,458)</u>	<u>1,093,822</u>
Net increase (decrease) in cash and cash equivalents	109,936	(198,311)
Cash and cash equivalents at beginning of year (bank overdraft)	<u>(79,096)</u>	<u>119,215</u>
Cash and cash equivalents at end of year (bank overdraft)	<u>\$ 30,840</u>	<u>\$ (79,096)</u>

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (394,243)	\$ (1,141,108)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation and amortization	324,308	368,725
Provision for bad debts	561,725	444,790
Changes in operating assets and liabilities:		
Patient accounts receivables	(677,505)	(423,502)
Other receivables	282,705	(276,174)
Inventories	(41,404)	70,981
Prepaid expenses and deposits	(5,805)	(31,594)
Accounts payable and accrued expenses	(505,924)	728,410
Accrued payroll and related liabilities	(15,047)	48,766
Estimated third party payor settlements	<u>150,242</u>	<u>(232,526)</u>
Net cash provided by (used in) operating activities	<u>\$ (320,948)</u>	<u>\$ (443,232)</u>

See accompanying notes and auditor's report

Notes to Financial Statements

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Southern Inyo Health Care District (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to state or federal income taxes. The Hospital is governed by a five-member board of directors who are elected to specific terms. The Hospital, located in Lone Pine, California, is comprised of a 4-bed acute care unit and a 33-bed distinct-part skilled nursing unit. The Hospital provides services both on an inpatient and outpatient basis.

Basis of Preparation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Hospital's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments: The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities, when present, are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The Hospital does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Amounts required to meet current obligations of the Hospital, are classified as current assets.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 5 to 7 years for equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2014 and 2013, the Hospital has determined that no capital assets are significantly impaired.

Other Assets: Other assets are comprised of loan fees associated with specific debt borrowings. Amortization of these loan fees is computed by the straight-line method over the life of the repayment agreements.

Compensated Absences: The Hospital's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. Benefits can accumulate up to specified maximum levels. Employees are paid for accumulated PTO if they leave either upon termination or retirement. Accrued PTO liabilities as of June 30, 2014 and 2013 were \$148,111 and \$174,505 respectively.

Risk Management: Commercial insurance is generally purchased to cover the Hospital against various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accidental benefits. Settled claims have not exceeded this commercial coverage in any of the two preceding years. The Hospital is also insured for medical malpractice claims and judgements, as discussed later in these footnotes.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Positions: Net positions are presented in three categories. The first category is net position “invested in capital assets, net of related debt”. This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is “restricted” net position. This category consists of externally designated constraints placed on those assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is “unrestricted” net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenues. Services provided are recorded through the accounting records of the Hospital as gross patient service revenues and then entirely written off.

District Tax Revenues: The Hospital receives approximately 14% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Grants and Contributions: From time to time, the Hospital receives grants from various governmental agencies and private organizations. The Hospital also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses: The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Recent Pronouncements: The Hospital has incorporated the following recent GASB issued statements within this financial statement presentation: (1) GASB 61 - *The Financial Reporting Entity: Omnibus* which helps better define financial presentation and component units; (2) GASB 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which supercedes GASB 20; (3) GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* - which establishes new standards involving consumption of net position and the acquisition of net position, both of which are applicable to future periods as well as further defining net position (formerly net assets); and (4) GASB 65 - *Items Previously Reported as Assets and Liabilities* which did not result in a restatement of the June 30, 2013 net position as there were no costs previously reported as assets. For purposes of financial statement presentation, deferred outflows (when present) would be shown with the assets of the Hospital on the balance sheet and deferred inflows (when present) would be grouped with the liabilities of the Hospital on the balance sheet. No other adoptions of these pronouncements materially affected the Hospital's financial statements.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2014 and 2013, the Hospital had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$70,419 and \$87,299. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the Hospital's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Hospital's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the Hospital's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the Hospital.

Investments consist of funds deposited in the LAIF funds which invests in several market pools as allowed according to public restrictions on investments. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE C - NET PATIENT SERVICE REVENUES

Gross and net patient service revenues summarized by payor are as follows:

	<u>2014</u>	<u>2013</u>
Daily hospital services	\$ 3,126,832	\$ 3,296,248
Inpatient ancillary services	899,661	1,002,433
Outpatient services	<u>4,565,800</u>	<u>5,106,448</u>
Gross patient service revenues	8,592,293	9,405,129
Less deductions from gross revenues	<u>(2,021,934)</u>	<u>(1,737,375)</u>
Net patient service revenues	<u>\$ 6,570,359</u>	<u>\$ 7,667,754</u>

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for acute care services rendered to Medicare program beneficiaries are paid on cost reimbursement principles. The Hospital was classified as a critical access hospital effective April 1, 2001. The Hospital is paid for services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2014, cost reports through June 30, 2012, have been audited or otherwise final settled.

Medi-Cal: Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California's Medi-Cal program changed inpatient reimbursement to Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology. Outpatient payments continue to be paid on pre-determined charge screens. The Hospital is paid for cost-based inpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. The Hospital's rural health care clinic is paid under a prospective payment system (PPS) which requires submission of an annual PPS reconciliation to be filed with the State of California, after which it is subject to audit by the State. At June 30, 2014, cost reports through June 30, 2011, have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare, Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE D - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable are as follows:

	<u>2014</u>	<u>2013</u>
Medicare	\$ 474,879	\$ 492,303
Medi-Cal	953,792	456,777
Commercial insurance and others	<u>948,328</u>	<u>995,139</u>
Gross patient accounts receivable	2,376,999	1,944,219
Less allowances for contractual adjustments and bad debts	<u>(1,350,000)</u>	<u>(1,033,000)</u>
Net patient accounts receivable	<u>\$ 1,026,999</u>	<u>\$ 911,219</u>

NOTE E - OTHER RECEIVABLES

Other receivables were comprised of the following:

	<u>2014</u>	<u>2013</u>
Inyo County property tax receivable	\$ 85,843	\$ 80,934
Grants and reimbursements receivable		291,768
Other various receivables	<u>4,154</u>	
	<u>\$ 89,997</u>	<u>\$ 372,702</u>

The Hospital may from time to time enter into physician guarantee agreements due to possible needs to recruit physicians in certain specialties to the area. These agreements generally provide for a certain level of income for a specified period of time. The physician is then expected to practice in the area for another specified period of time, during which the amounts paid to the physicians are ratably forgiven. FASB guidelines require the Hospital to establish both an asset and a liability for the estimated fair value of its physician income guarantees at the inception of contracts entered into after January 1, 2006. The asset is amortized to expense using the straight-line amortization method over the life of the guarantee, while the liability is reduced by actual amounts paid on the guarantee. As the Hospital's contracts of this nature are not considered material, both the asset and the liability are netted and recorded as a net other receivable. Recourse provisions in the contracts provide for the recovery from the physicians if all the terms of the contract are not fulfilled. Generally, in the healthcare industry, advances to physicians are comprised of physician income guarantees and/or business loans to those physicians requiring assistance to begin a local practice. Healthcare entities may enter into agreements with certain physicians whereby the healthcare entity

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use were comprised of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents under agreements:		
Held by the Hospital in trust and for future projects	\$ 277,138	\$ 55,113
Held by the Hospital for patients in long-term care	<u>15,753</u>	<u>15,641</u>
	292,891	70,754
Less available for current obligations	<u>(288,753)</u>	<u>(20,953)</u>
	<u>\$ 4,138</u>	<u>\$ 49,801</u>

NOTE G - EMPLOYEES' RETIREMENT PLANS

The Hospital has a defined contribution retirement plan covering substantially all of the Hospital's employees. The Hospital's policy is to fund pension costs incurred. The Hospital's pension expense for the plan, which is based on a percentage of the employees' compensation, was approximately \$58,000 and \$62,000 during the years ended June 30, 2014 and 2013, respectively.

NOTE H - RELATED PARTY TRANSACTIONS

The Southern Inyo Hospital Auxiliary (the Auxiliary), has been established to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Auxiliary, are distributed to the Hospital or held for the benefit of the Hospital. The Auxiliary's funds, which represent the Auxiliary's unrestricted resources, are distributed to the Hospital in amounts and in periods determined by the Auxiliary board and management, who may also restrict the use of funds for Hospital property and equipment replacement, Hospital expansion, reimbursement of expenses, or other specific purposes. Donations in this regard were \$13,689 and \$9,705 for the years ended June 30, 2014 and 2013 respectively. The Auxiliary is not considered a component unit of the Hospital as the Auxiliary, in the absence of donor restrictions, has complete and discretionary control over the amounts, the timing, and the use of its donations to the Hospital and management does not consider the assets to be material to the Hospital.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE I - CAPITAL ASSETS

Capital assets were comprised of the following:

	<u>Balance at June 30, 2013</u>	<u>Transfers & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2014</u>
Land and land improvements	\$ 37,155	\$ 656,356		\$ 693,511
Buildings and improvements	2,921,798	60,676		2,982,474
Equipment	4,351,058	71,672		4,422,730
Construction in progress	<u>590,592</u>	<u>(590,592)</u>		
Totals at historical cost	7,900,603	198,112		8,098,715
Less accumulated depreciation for:				
Land and land improvements	(30,493)	(19,481)		(49,974)
Buildings and improvements	(2,683,298)	(22,438)		(2,705,736)
Equipment	<u>(2,486,506)</u>	<u>(282,430)</u>		<u>(2,768,936)</u>
Total accumulated depreciation	<u>(5,200,297)</u>	<u>(324,349)</u>		<u>(5,524,646)</u>
Capital assets, net	<u>\$ 2,700,306</u>	<u>\$ (126,237)</u>	<u>\$</u>	<u>\$ 2,574,069</u>

	<u>Balance at June 30, 2012</u>	<u>Transfers & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2013</u>
Land and land improvements	\$ 37,155			\$ 37,155
Buildings and improvements	2,913,286	\$ 8,512		2,921,798
Equipment	2,872,822	1,478,236		4,351,058
Totals at historical cost	<u>26,908</u>	<u>563,684</u>		<u>590,592</u>
Less accumulated depreciation for:	5,850,171	2,050,432		7,900,603
Land and land improvements				
Buildings and improvements	(30,156)	(337)		(30,493)
Equipment	(2,660,687)	(22,611)		(2,683,298)
Total accumulated depreciation	<u>(2,140,304)</u>	<u>(346,202)</u>		<u>(2,486,506)</u>
Capital assets, net	<u>(4,831,147)</u>	<u>(369,150)</u>		<u>(5,200,297)</u>

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE J - DEBT BORROWINGS

As of June 30, 2014 and 2013, debt borrowings were as follows:

	<u>2014</u>	<u>2013</u>
Note payable to credit corporation, payable in installments of principal and interest based upon federal and state EHR reimbursement	\$ 1,700,000	\$ 1,700,000
Bank line of credit (see below)	227,751	240,238
Various other debt obligations:	<u>9,503</u>	<u>2,733</u>
	1,937,254	1,942,971
Less current maturities of debt borrowings	<u>(773,751)</u>	<u>(242,971)</u>
	<u>\$ 1,163,503</u>	<u>\$ 1,700,000</u>

The Hospital has an available line of credit with a local bank with available borrowings up to \$250,000. As of June 30, 2014, \$227,751 was outstanding on this line. Future principal payments on debt borrowings are: \$773,751 in 2015; \$575,503 in 2016; \$588,000 in 2017 and \$-0- in 2018.

NOTE K - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2014, the Hospital had \$-0- in amounts recorded as construction-in-progress representing cost capitalized for various remodeling, major repair, or expansion projects on the Hospital's premises. During times of construction, interest expense associated with construction debt can be capitalized under FAS 62. No interest was capitalized during the year. Future commitments related to these projects are considered minor.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2014 and 2013, were \$299,446 and \$260,182, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2014, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The Hospital may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2014 will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

Medical Malpractice Claims: The Hospital maintains commercial malpractice liability insurance coverage under various claims-made policies covering losses up to \$5 million per claim with a per claim deductible of \$5,000. The Hospital plans to maintain the coverage by renewing its current policy or by replacing it with equivalent insurance.

Workers Compensation Program: The Hospital is a participant in the Association of California Hospital District's ALPHA Fund (the Fund) which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The Hospital pays premiums to the Fund which are adjusted annually. If participation in the Fund is terminated by the Hospital, the Hospital would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the Fund.

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations regulations. The Hospital has designated a Privacy and Security Officer, has evaluated the HIPAA impact on the organization and has complied with all required deadlines.

Health Care Reform: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Seismic Retrofit: The California Hospital Facilities Seismic Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that a California hospital can maintain uninterrupted operations following a major earthquake. By January 1, 2013, all general acute care buildings were required to be "life-safe". As has been the case with many other hospitals throughout the State, the Hospital has applied for and been granted an extension of the January 1, 2013 deadline to a new date in the near future. Administrative extension are generally being granted by the State to allow time to complete the review of several hospital extension applications.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE L -INVESTMENTS

The Hospital's investment balances and average maturities were as follows at June 30, 2014 and 2013:

<i>As of June 30, 2014</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 5,545	\$ 5,545		
Cash equivalents in savings	68	68		
Mutual funds and money markets	273,000	273,000		
Total investments	<u>\$ 278,612</u>	<u>\$ 278,612</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<i>As of June 30, 2013</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 5,531	\$ 5,531		
Cash equivalents in savings	5,103	5,103		
Mutual funds and money markets	5,313	5,313		
Total investments	<u>\$ 15,947</u>	<u>\$ 15,947</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The Hospital's investments are reported at fair value as previously discussed. The Hospital's investment policy allows for various forms of investments generally held with government agencies. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways a hospital may manage its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the Hospital's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the Hospital's investments by maturity.

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. Generally a hospital's investment policy for corporate bonds and notes would be to invest in companies with total assets in excess of \$500 million and having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

EXHIBIT 4

Audited Financial Statements
SOUTHERN INYO
HEALTHCARE DISTRICT

June 30, 2015

JWT & Associates, LLP
Certified Public Accountants

Audited Financial Statements

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2015

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Management's Discussion and Analysis

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2015

The management of the Southern Inyo Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2015 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2015 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Financial Summary for the Year

- Total assets decreased by \$1,122,280 from the prior fiscal year.
- Total operating cash and cash equivalents decreased by \$3,567 over the prior year.
- Net patient accounts receivable decreased by \$360,005. Gross days in patient accounts receivable were 80.93 for the current year as compared to 100.97 for the prior year.
- Current liabilities increased by \$835,600 from the prior fiscal year.
- Long-term debt decreased by \$304,104 from the prior year
- The decrease in net position was \$(2,242,722) for 2015 as compared to an increase of \$462,486 in 2014.
- The Hospital petitioned for Chapter 9 bankruptcy subsequent to year end as discussed in more detail in other sections of this discussion as well as within the financial statements.

Cash and Investments

For the fiscal year ended June 30, 2015, the Hospital's operating cash and cash equivalents totaled \$72,540 as compared to \$50,595 in the prior fiscal year. Bank overdrafts were \$45,267 as of June 30, 2015 as compared to \$19,755 for the prior year. At June 30, 2015, days cash on hand was 1.13 as compared to the prior year of 1.40. The majority of the Hospital's cash is deposited with local banks and in other short-term money market accounts to maintain liquidity.

Management's Discussion and Analysis (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

Current Liabilities

As previously noted, current liabilities of the Hospital increased by \$835,600 due to the lack of cash flow due to the decreases in patient volumes. The Hospital basically lacked sufficient cash flow to sustain operations which caused the current ratio to drop to .40 at June 30, 2015 as compared to 1.12 the year before.

Capital Assets

During the year, the Hospital reinvested into the facility \$81,444 in various repair projects and other purchases. The depreciation expense of \$332,079 was more than the additions by \$250,635. According to generally accepted accounting principles (GAAP), all property and equipment is recorded at historical costs and depreciated over a useful life as defined by the American Hospital Association. The Hospital does not carry the value of its property and equipment at a fair market value but rather on a historical cost basis less accumulated depreciation. It is management's belief that the fair market value of the Hospital's fixed assets is greater than its recorded historical cost, net of accumulated depreciation.

Volumes

- Total patient days were 9,076 for current fiscal year as compared to 10,589 for the prior year. The decrease was due primarily lack of a patient activity for 2015 as compared to 2014.
- Outpatient areas showed volume increases as patients were seen more in outpatient settings such as in the emergency room which showed 291 more visits over the prior year, which in turn resulted in more lab and x-ray procedures for example.
- Current year rural health clinic visits were 5,215 as compared to 5,272 visits for the prior year

Gross Patient Charges

The Hospital charges all its patients equally based on its established pricing structure for the services rendered. The charge master is evaluated on an ongoing basis to ensure that all only allowable charges are billed to comply with Medicare and Medi-cal regulations.

Inpatient gross patient service charges decreased by \$1,400,807 from the prior year. This was due primarily to the decrease in acute care days from 179 days for the year ended June 30, 2014 to only 7 days for the year ended June 30, 2015, and the decrease in SNF days from 10,410 days in the prior year to 9,069 days in the current year. Outpatient gross patient service charges increased by \$1,205,778 due primarily to increases in outpatient volumes despite slight decreases in rural health care visits.

Management's Discussion and Analysis (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and bad debt provisions. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

Deductions from revenue (as a percentage of gross patient service charges) were 31.44% for the current fiscal year as compared to 23.53% for the prior fiscal year. The increase in deductions from revenue was due primarily to unfavorable settlements due to Medicare critical access status and less efficiencies within the patient accounts receivable related to billing and collections as the billing department had been outsourced during the year.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues decreased by \$813,371 in the current fiscal year over the prior year. This was primarily due to changes in patient volumes and an increase in deductions from revenues as previously mentioned.

Operating Expenses

Total operating expenses were \$9,075,609 for the current fiscal year compared to \$8,295,697 for the prior fiscal year. The changes were as follows:

- A \$259,785 increase in salaries and wages and benefits. FTE's increased from 96.09 for the year ended June 30, 2014 to 103.23 for the year ended June 30, 2015. Salaries, wages, and benefits per FTE were \$50,008 as compared to \$51,022 for the prior year.
- A \$444,292 increase in professional fees.
- A \$69,946 decrease in supplies due to lower patient volumes during the year and insufficient cash flow.
- A \$143,527 increase in purchased services.
- A \$56,968 increase in other operating expenses.

Management's Discussion and Analysis (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

Bankruptcy Proceedings

On or about January 4, 2016, the Hospital filed a voluntary petition for relief under Chapter 9 of title 11 of the United States Code (the Bankruptcy Code). The Hospital is represented by legal counsel in a pending reorganization under Chapter 9 of Title 11 United States Code (the Bankruptcy Code) in the United States Bankruptcy Court - Eastern District of California, Fresno Division. The purpose of the Hospital's plan of reorganization is to restructure certain classifications of the Hospital's debt and provide for their payment in whole or part. Certain debt may be susceptible to being discharged or rendered unenforceable. The ultimate success of the plan will depend primarily on the ability of the Hospital's management to operate the hospital at a level of increased cash flows and thereby generate sufficient cash flows, coupled with Hospital property taxes, to meet their obligations in the normal course of hospital operations.

Hospital management is continuing a program of cost reductions and revenue enhancement which it believes will result in improved cash flows. In order to achieve the goal of continued operations, the Hospital's board of directors has signed an agreement with Healthcare Conglomerate Associates, LLC (HCCA) for their expertise in hospital turnaround, operational efficiency, and providing high quality patient care.

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

1111 East Herndon Avenue, Suite 211, Fresno, California 93720

Voice: (559) 431-7708 Fax: (559) 431-7685

Report of Independent Auditors

The Board of Directors
Southern Inyo Health Care District
Lone Pine, California

We have audited the accompanying financial statements of the Southern Inyo Health Care District, a district hospital (the Hospital) which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

As more fully described in Note N, on or about January 4, 2016, the Hospital filed a voluntary petition for relief under Chapter 9 of title 11 of the United States Code (the Bankruptcy Code). The Hospital has incurred negative cash flows from hospital operations and may be unable to meet certain of its future obligations. These conditions raise substantial doubt about the Hospital's ability to continue hospital operations in the future. The Hospital's plans in regard to these matters are also described in Note N. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Hospital to continue hospital operations.

Opinion

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital at June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2015. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

JW7 & Associates, LLP

Fresno, California
January 27, 2016

Balance Sheets

SOUTHERN INYO HEALTH CARE DISTRICT

	June 30	
	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 72,540	\$ 50,595
Assets limited as to use available for current obligations	15,951	288,753
Patient accounts receivable, net of allowances	666,994	1,026,999
Other receivables	85,655	89,997
Estimated third party payor settlements		258,865
Inventories	99,970	102,903
Prepaid expenses and other current assets	<u>77,372</u>	<u>67,877</u>
Total current assets	1,018,482	1,885,989
Assets limited as to use, less available for current obligations		4,138
Capital assets, net of accumulated depreciation	<u>2,323,434</u>	<u>2,574,069</u>
	<u>\$ 3,341,916</u>	<u>\$ 4,464,196</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of debt borrowings	\$ 184,805	\$ 773,751
Bank overdraft	45,267	19,755
Accounts payable and accrued expenses	1,829,968	630,532
Accrued payroll and related liabilities	318,511	260,516
Estimated third party payor settlements	<u>141,603</u>	
Total current liabilities	2,520,154	1,684,554
Debt borrowings, net of current maturities	<u>1,448,345</u>	<u>1,163,503</u>
Total liabilities	3,968,499	2,848,057
Net position:		
Invested in capital assets, net of related debt	690,284	874,069
Unrestricted net position (deficit)	<u>(1,316,867)</u>	<u>742,070</u>
Total net position(deficit)	<u>(626,583)</u>	<u>1,616,139</u>
	<u>\$ 3,341,916</u>	<u>\$ 4,464,196</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

SOUTHERN INYO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Operating revenues		
Net patient service revenue	\$ 5,756,988	\$ 6,570,359
Other operating revenue	<u>348,828</u>	<u>1,331,095</u>
Total operating revenues	6,105,816	7,901,454
Operating expenses		
Salaries and wages	4,291,907	4,059,213
Employee benefits	870,533	843,442
Professional fees	1,665,341	1,221,049
Supplies	451,264	521,210
Purchased services	624,029	480,502
Utilities and phone	150,257	156,152
Building and equipment rent	279,300	299,446
Insurance	76,630	113,074
Depreciation and amortization	332,079	324,308
Other operating expenses	<u>334,269</u>	<u>277,301</u>
Total operating expenses	<u>9,075,609</u>	<u>8,295,697</u>
Operating loss	(2,969,793)	(394,243)
Nonoperating revenues (expenses)		
District tax revenues	779,075	826,512
Investment income	939	679
Interest expense	(76,837)	(76,017)
Grants and contributions	<u>23,894</u>	<u>105,555</u>
Total nonoperating revenues (expenses)	<u>727,071</u>	<u>856,729</u>
Increase (decrease) in net position	(2,242,722)	462,486
Net position at beginning of the year	<u>1,616,139</u>	<u>1,153,653</u>
Net position (deficit) at end of the year	<u>\$ (626,583)</u>	<u>\$ 1,616,139</u>

See accompanying notes and auditor's report

Statements of Cash Flows

SOUTHERN INYO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	\$ 6,517,461	\$ 6,604,821
Cash received from operations, other than patient services	353,170	1,613,800
Cash payments to suppliers and contractors	(2,388,216)	(3,621,867)
Cash payments to employees and benefit programs	<u>(5,104,445)</u>	<u>(4,917,702)</u>
Net cash (used in) operating activities	(622,030)	(320,948)
Cash flows from noncapital financing activities:		
District tax revenues	779,075	826,512
Grants and contributions	<u>23,894</u>	<u>105,555</u>
Net cash provided by noncapital financing activities	802,969	932,067
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of disposals and reclassifications	(81,444)	(198,112)
Proceeds from debt borrowings	1,816,098	
Principal payments on debt borrowings and reclassifications	(2,120,202)	(5,596)
Interest payments on debt borrowings	<u>(76,837)</u>	<u>(76,017)</u>
Net cash (used in) capital financing activities	(462,385)	(279,725)
Cash flows from investing activities:		
Net change in assets limited as to use	276,940	(222,137)
Interest and dividends received from investments	<u>939</u>	<u>679</u>
Net cash provided by (used in) investing activities	<u>277,879</u>	<u>(221,458)</u>
Net increase (decrease) in cash and cash equivalents	(3,567)	109,936
Cash and cash equivalents plus bank overdraft at beginning of year	<u>30,840</u>	<u>(79,096)</u>
Cash and cash equivalents plus bank overdraft at end of year	<u>\$ 27,273</u>	<u>\$ 30,840</u>

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (2,969,793)	\$ (394,243)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation and amortization	332,079	324,308
Provision for bad debts	430,800	561,725
Changes in operating assets and liabilities:		
Patient accounts receivables	(70,795)	(677,505)
Other receivables	4,342	282,705
Inventories	2,933	(41,404)
Prepaid expenses and deposits	(9,495)	(5,805)
Accounts payable and accrued expenses	1,199,436	(505,924)
Accrued payroll and related liabilities	57,995	(15,047)
Estimated third party payor settlements	400,468	150,242
Net cash provided by (used in) operating activities	<u>\$ (622,030)</u>	<u>\$ (320,948)</u>

See accompanying notes and auditor's report

Notes to Financial Statements

SOUTHERN INYO HEALTH CARE DISTRICT

June 30, 2015

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Southern Inyo Health Care District (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to state or federal income taxes. The Hospital is governed by a five-member board of directors who are elected to specific terms. The Hospital, located in Lone Pine, California, is comprised of a 4-bed acute care unit and a 33-bed distinct-part skilled nursing unit. The Hospital provides services both on an inpatient and outpatient basis.

Basis of Preparation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Hospital's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments: The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities, when present, are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The Hospital does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Amounts required to meet current obligations of the Hospital, are classified as current assets.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 5 to 7 years for equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2015 and 2014, the Hospital has determined that no capital assets are significantly impaired.

Other Assets: Other assets are comprised of loan fees associated with specific debt borrowings. Amortization of these loan fees is computed by the straight-line method over the life of the repayment agreements.

Compensated Absences: The Hospital's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. Benefits can accumulate up to specified maximum levels. Employees are paid for accumulated PTO if they leave either upon termination or retirement. Accrued PTO liabilities as of June 30, 2015 and 2014 were \$172,726 and \$148,111 respectively.

Risk Management: Commercial insurance is generally purchased to cover the Hospital against various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accidental benefits. Settled claims have not exceeded this commercial coverage in any of the two preceding years. The Hospital is also insured for medical malpractice claims and judgements, as discussed later in these footnotes.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Positions: Net positions are presented in three categories. The first category is net position “invested in capital assets, net of related debt”. This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is “restricted” net position. This category consists of externally designated constraints placed on those assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is “unrestricted” net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenues. Services provided are recorded through the accounting records of the Hospital as gross patient service revenues and then entirely written off.

District Tax Revenues: The Hospital receives approximately 11% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Grants and Contributions: From time to time, the Hospital receives grants from various governmental agencies and private organizations. The Hospital also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses: The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Recent Pronouncements: *Recent Pronouncements:* The GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"), which was effective for financial statements for periods beginning after December 15, 2012. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The adoption of this pronouncement did not materially affect the Hospital's financial statements.

GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27* ("GASB No. 68"), which was effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The Hospital has evaluated the impact of the adoption of GASB No. 68 for the fiscal year ending June 30, 2015. The adoption of this pronouncement did not affect the Hospital's financial statements.

GASB also issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB No. 69"), which was effective for financial statements for periods beginning after December 15, 2013. GASB No. 69 requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. It also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. It defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

values to measure the assets and liabilities in a transfer of operations, and provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The Hospital has evaluated the impact of the adoption of GASB No. 69 for the fiscal year ending June 30, 2015 and there is no effect to the Hospital's financial statements.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2015 and 2014, the Hospital had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$82,934 and \$70,419. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the Hospital's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Hospital's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the Hospital's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the Hospital.

Investments consist of funds deposited in the LAIF funds which invests in several market pools as allowed according to public restrictions on investments. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

NOTE C - NET PATIENT SERVICE REVENUES

Gross and net patient service revenues summarized by payor are as follows:

	<u>2015</u>	<u>2014</u>
Daily hospital services	\$ 2,565,924	\$ 3,126,832
Inpatient ancillary services	331,950	899,661
Outpatient services	<u>5,499,390</u>	<u>4,565,800</u>
Gross patient service revenues	8,397,264	8,592,293
Less deductions from gross revenues	<u>(2,640,276)</u>	<u>(2,021,934)</u>
Net patient service revenues	<u>\$ 5,756,988</u>	<u>\$ 6,570,359</u>

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE C - NET PATIENT SERVICE REVENUES (continued)

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for acute care services rendered to Medicare program beneficiaries are paid on cost reimbursement principles. The Hospital was classified as a critical access hospital effective April 1, 2001. The Hospital is paid for services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2015, cost reports through June 30, 2013, have been audited or otherwise final settled.

Medi-Cal: Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California's Medi-Cal program changed inpatient reimbursement to Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology. Outpatient payments continue to be paid on pre-determined charge screens. The Hospital is paid for cost-based inpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. The Hospital's rural health care clinic is paid under a prospective payment system (PPS) which requires submission of an annual PPS reconciliation to be filed with the State of California, after which it is subject to audit by the State. At June 30, 2015, cost reports through June 30, 2012, have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare, Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

NOTE D - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable are as follows:

	<u>2015</u>	<u>2014</u>
Medicare	\$ 463,193	\$ 474,879
Medi-Cal	600,914	953,792
Commercial insurance and others	<u>797,887</u>	<u>948,328</u>
Gross patient accounts receivable	1,861,994	2,376,999
Less allowances for contractual adjustments and bad debts	<u>(1,195,000)</u>	<u>(1,350,000)</u>
Net patient accounts receivable	<u>\$ 666,994</u>	<u>\$ 1,026,999</u>

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE E - OTHER RECEIVABLES

Other receivables were comprised of the following:

	<u>2015</u>	<u>2014</u>
Inyo County property tax receivable	\$ 72,825	\$ 85,843
Other various receivables	<u>12,830</u>	<u>4,154</u>
	<u>\$ 85,655</u>	<u>\$ 89,997</u>

The Hospital may from time to time enter into physician guarantee agreements due to possible needs to recruit physicians in certain specialties to the area. These agreements generally provide for a certain level of income for a specified period of time. The physician is then expected to practice in the area for another specified period of time, during which the amounts paid to the physicians are ratably forgiven. FASB guidelines require the Hospital to establish both an asset and a liability for the estimated fair value of its physician income guarantees at the inception of contracts entered into after January 1, 2006. The asset is amortized to expense using the straight-line amortization method over the life of the guarantee, while the liability is reduced by actual amounts paid on the guarantee. As the Hospital's contracts of this nature are not considered material, both the asset and the liability are netted and recorded as a net other receivable. Recourse provisions in the contracts provide for the recovery from the physicians if all the terms of the contract are not fulfilled. Generally, in the healthcare industry, advances to physicians are comprised of physician income guarantees and/or business loans to those physicians requiring assistance to begin a local practice. Healthcare entities may enter into agreements with certain physicians whereby the healthcare entity

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use were comprised of the following:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents under agreements:		
Held by the Hospital in trust and for future projects		\$ 277,138
Held by the Hospital for patients in long-term care	<u>\$ 15,951</u>	<u>15,753</u>
	15,951	292,891
Less available for current obligations	<u>(15,951)</u>	<u>(288,753)</u>
	<u>\$</u>	<u>\$ 4,138</u>

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE G - CAPITAL ASSETS

Capital assets were comprised of the following:

	<u>Balance at June 30, 2014</u>	<u>Tranfers & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Land and land improvements	\$ 693,511			\$ 693,511
Buildings and improvements	2,982,474			2,982,474
Equipment	4,422,690			4,422,690
Construction in progress		\$ 81,444		81,444
Totals at historical cost	8,098,675	81,444		8,180,119
Less accumulated depreciation for:				
Land and land improvements	(49,974)	(19,453)		(69,427)
Buildings and improvements	(2,705,736)	(25,219)		(2,730,955)
Equipment	(2,768,896)	(287,407)		(3,056,303)
Total accumulated depreciation	(5,524,606)	(332,079)		(5,856,685)
Capital assets, net	<u>\$ 2,574,069</u>	<u>\$ (250,635)</u>	<u>\$</u>	<u>\$ 2,323,434</u>

	<u>Balance at June 30, 2013</u>	<u>Tranfers & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2014</u>
Land and land improvements	\$ 37,155	\$ 656,356		\$ 693,511
Buildings and improvements	2,921,798	60,676		2,982,474
Equipment	4,351,058	71,672		4,422,690
Construction in progress	590,592	(590,592)		
Totals at historical cost	7,900,603	198,112		8,098,675
Less accumulated depreciation for:				
Land and land improvements	(30,493)	(19,481)		(49,974)
Buildings and improvements	(2,683,298)	(22,438)		(2,705,736)
Equipment	(2,486,506)	(282,430)		(2,768,896)
Total accumulated depreciation	(5,200,297)	(324,349)		(5,524,606)
Capital assets, net	<u>\$ 2,700,306</u>	<u>\$ (126,237)</u>	<u>\$</u>	<u>\$ 2,574,069</u>

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE H - EMPLOYEES' RETIREMENT PLANS

The Hospital has a defined contribution retirement plan covering substantially all of the Hospital's employees. The Hospital's policy is to fund pension costs incurred. The Hospital's pension expense for the plan, which is based on a percentage of the employees' compensation, was approximately \$61,000 and \$58,000 during the years ended June 30, 2015 and 2014, respectively.

NOTE I - RELATED PARTY TRANSACTIONS

The Southern Inyo Hospital Auxiliary (the Auxiliary), has been established to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Auxiliary, are distributed to the Hospital or held for the benefit of the Hospital. The Auxiliary's funds, which represent the Auxiliary's unrestricted resources, are distributed to the Hospital in amounts and in periods determined by the Auxiliary board and management, who may also restrict the use of funds for Hospital property and equipment replacement, Hospital expansion, reimbursement of expenses, or other specific purposes. Donations in this regard were \$3,758 and \$13,689 for the years ended June 30, 2015 and 2014 respectively.

NOTE J - DEBT BORROWINGS

As of June 30, 2015 and 2014, debt borrowings were as follows:

	<u>2015</u>	<u>2014</u>
Note payable to credit corporation, payable in installments of principal and interest based upon federal and state EHR reimbursement		\$ 1,700,000
Note payable to a credit corporation, payable in monthly installments open	\$ 1,493,052	
Bank line of credit (see below)		227,751
Various other debt obligations:	<u>140,098</u>	<u>9,503</u>
	1,633,150	1,937,254
Less current maturities of debt borrowings	<u>(184,805)</u>	<u>(773,751)</u>
	<u>\$ 1,448,345</u>	<u>\$ 1,163,503</u>

The Hospital has had a available line of credit with a local bank with available borrowings up to \$250,000. As of June 30, 2015, there were no borrowings on this line. Future principal payments on debt borrowings are: \$184,805 in 2016; \$47,111 in 2017; \$49,645 in 2018; \$52,315 in 2019 and \$55,128 in 2020.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE K - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2015, the Hospital had \$81,444 in amounts recorded as construction-in-progress representing cost capitalized for various remodeling, major repair, or expansion projects on the Hospital's premises. During times of construction, interest expense associated with construction debt can be capitalized under FAS 62. No interest was capitalized during the year. Future commitments for these projects are considered minor.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2015 and 2014, were \$279,300 and \$299,446, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2015, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The Hospital is involved in certain litigation which have arisen in the normal course of doing business. After consultation with legal counsel, although the potential financial impact is undeterminable at this time, management estimates that matters existing as of June 30, 2015 will be resolved without significant material adverse effect on the Hospital's future financial position, results from operations or cash flows. In addition, subsequent to year end, the Hospital has filed for bankruptcy under Chapter 9. The bankruptcy is discussed in a subsequent footnote to these financial statements.

Medical Malpractice Claims: The Hospital maintains commercial malpractice liability insurance coverage under various claims-made policies covering losses up to \$5 million per claim with a per claim deductible of \$5,000. The Hospital plans to maintain the coverage by renewing its current policy or by replacing it with equivalent insurance.

Workers Compensation Program: The Hospital is a participant in the Association of California Hospital District's ALPHA Fund (the Fund) which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The Hospital pays premiums to the Fund which are adjusted annually. If participation in the Fund is terminated by the Hospital, the Hospital would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the Fund.

Health Care Reform: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE L -INVESTMENTS

The Hospital's investment balances and average maturities were as follows at June 30, 2015 and 2014:

<i>As of June 30, 2015</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 5,559	\$ 5,559		
Cash equivalents in savings	20	20		
Total investments	<u>\$ 5,579</u>	<u>\$ 5,579</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<i>As of June 30, 2014</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Local agency investment fund	\$ 5,545	\$ 5,545		
Cash equivalents in savings	68	68		
Mutual funds and money markets	273,000	273,000		
Total investments	<u>\$ 278,612</u>	<u>\$ 278,612</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The Hospital's investments are reported at fair value as previously discussed. The Hospital's investment policy allows for various forms of investments generally held with government agencies. Policies generally identify certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways a hospital may manage its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the Hospital's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the Hospital's investments by maturity.

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. Generally a hospital's investment policy for corporate bonds and notes would be to invest in companies with total assets in excess of \$500 million and having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE L - INVESTMENTS (continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a hospital would not be able to recover the value of its investment or collateral securities that are in the possession of another party. A hospital's investments are generally held by broker-dealers or in the case of many healthcare district's, in government-pooled short-term cash equivalents such as mutual funds.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a hospital's investment in a single issuer. A hospital's investment policy generally allows for different concentrations in selected investment portfolios such as government-backed securities, which are deemed to be lower risk.

NOTE M - MEDI-CAL RATE REDUCTIONS UNDER AB97

On March 24th of 2011, California's Governor Brown signed AB 97 (Budget Act of 2011), which included significant cuts to Medi-Cal reimbursement rates for skilled-nursing facilities that are distinct parts (DP/SNF's) of hospitals. Medi-Cal rates for these facilities were to be reduced to "rates that were applicable ...in the 2008-09 rate year, reduced by 10%." For most affected facilities, the reduction would have resulted in a decrease of approximately 20% to 25% or more. Reimbursement reduction of this magnitude would have devastating consequences for the California health care community, including the Hospital. Also, this reduction would be retroactive to June 1, 2011, thus compounding the problem.

As a result, the California Hospital Association (CHA) filed a lawsuit dated November 1, 2011 against the Department of Health Care Services (DHCS) and the Centers for Medicare and Medicaid Services (CMS) challenging rate cuts to Medi-Cal reimbursement for DP/SNF's within acute-care hospitals. The lawsuit asserts that the rate reductions violate federal Medicaid law requiring that payment be sufficient to ensure access for Medicaid beneficiaries, and that CMS did not act properly in approving the reductions.

In a hearing held December 19, 2011, the U.S. District Court, Central District, approved CHA's request for a preliminary injunction prohibiting DHCS from implementing reductions to Medi-Cal reimbursement for DP/SNF's. CHA argued that the payment reduction and retroactive recoupment would cause irreparable harm and lead to additional facility closures and reductions of service.

The U. S. District Court ruled on the State's request for a modification of the court's previous order for a preliminary injunction prohibiting DHCS from implementing reductions as mentioned above. The modification meant that the State would be able to implement rate cuts on reimbursement paid for a limited period prior to December 28, 2011, the date of the injunction. Payments for services that had been provided, but not yet paid as of that date, would be subject to the rate cut. In a decision handed down March 8, 2012, the judge agreed with the State's argument that they should be able to recover the difference between the rate paid and the reduced rate for services provided prior to December 28, 2011. The judge did however limit the retroactive implementation of the rate cuts to reimbursements for Medi-Cal services rendered but not paid as of December 28, 2011. Subsequent to this, the decision was overturned.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE M - MEDI-CAL RATE REDUCTIONS UNDER AB97 (continued)

Arguments, discussions and other legislation were proposed, such as AB900 and SB640, over the past year and a half. Recent announcements have been most encouraging. A few months ago, DHCS issued a statement that they intend to exempt all rural and frontier DP/SNF's (Level B) from AB97. Determination of "rural" status will be defined by OSHPD that uses data from the 2011 Final Database Rural and Frontier from the Metropolitan Study Services Areas Designations. The effective date for this exemption was September 1, 2013, or any other date as approved by the Centers for Medicare and Medicaid Services.

The decision reached a few month ago meant that the DP/SNF's operated by the Hospital, as classified by the Department of Health Care Services (DHCS) as "rural" facilities, would be exempt from the 10% per diem rate reduction as of September 1, 2013. There still, however, exists a "claw back" period between June 1, 2011 and August 31, 2013 for which the Hospital may be liable.

CHA has been working closely with CMS to have them agree to exempt the DP/SNF's also from the "claw back" period. It now appears that due to recent CMS narratives, the Hospital may be exempt from the "clawback" provision, thus eliminating any possible liability related to AB97. However it is still undetermined as to the potential payback of the safety net provision supplemental payments the Hospital has received related to the AB97 issue. If the State requires repayment of these supplemental payments, the Hospital could owe close to \$350,000 back to the State. This potential liability has not been recorded as of June 30, 2015 due to its undetermined status at this time.

NOTE N - CHAPTER 9 BANKRUPTCY

On or about January 4, 2016, the Hospital filed a voluntary petition for relief under Chapter 9 of title 11 of the United States Code (the Bankruptcy Code). The Hospital is represented by legal counsel in a pending reorganization under Chapter 9 of Title 11 United States Code (the Bankruptcy Code) in the United States Bankruptcy Court - Eastern District of California, Fresno Division. The purpose of the Hospital's plan of reorganization is to restructure certain classifications of the Hospital's debt and provide for their payment in whole or part. Certain debt may be susceptible to being discharged or rendered unenforceable. The ultimate success of the plan will depend primarily on the ability of the Hospital's management to operate the hospital at a level of increased cash flows and thereby generate sufficient cash flows, coupled with Hospital property taxes, to meet their obligations in the normal course of hospital operations.

Hospital management is continuing a program of cost reductions and revenue enhancement which it believes will result in improved cash flows. In order to achieve the goal of continued operations, the Hospital's board of directors has signed an agreement with Healthcare Conglomerate Associates, LLC (HCCA) for their expertise in hospital turnaround, operational efficiency, and providing high quality patient care.

Notes to Financial Statements (continued)

SOUTHERN INYO HEALTH CARE DISTRICT

NOTE N - CHAPTER 9 BANKRUPTCY (continued)

The financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the amounts and classification of liabilities that might be necessary should the Hospital be unable to continue hospital operations.

NOTE O - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through January 27, 2016, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed

EXHIBIT 5

THE FOLLOWING PROJECTIONS REPRESENT AN ESTIMATE OF FUTURE PERFORMANCE BASED UPON CERTAIN ASSUMPTIONS SET FORTH WITH SUCH PROJECTIONS. THESE FUTURE EVENTS MAY OR MAY NOT OCCUR, AND THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS WHICH WILL OCCUR. BECAUSE OF THE UNCERTAINTIES INHERENT IN PREDICTIONS OF FUTURE EVENTS AND EVENTS OUTSIDE OF THE DEBTOR'S CONTROL, THE ACTUAL CASH FLOW MAY WELL BE DIFFERENT FROM THAT PREDICTED, AND SUCH DIFFERENCE MAY BE MATERIAL AND ADVERSE TO THE INTERESTS OF CREDITORS.

Category/Line item	Description
Operating Cash Receipts <i>Patient Services, Not</i>	<p>Consists of billing for acute care, clinic and other hospital services, excluding skilled nursing. Amounts are stated net of projected contractual allowances (the difference between the gross amount billed and the contractual agreed upon rates of reimbursement with third party payors including Medicare, Medi-Cal and private insurance companies). The projected contractual allowances are based upon managements estimates. The projected collections are stated net of contractual allowances and amounts deemed uncollectible by management. The timing of the collections are based upon historical days of net revenue included in accounts receivable (days net revenue outstanding or DRO) less uncollectible amounts.</p> <p>Consists primarily of amounts to be received from district, state government programs and federal government programs. The timing of the receipt of funds was determined by the timing of receipt of payment during 2016 or if the program is new, then based on estimates from the due date of the underlying application. The projected Supplemental Fund including the following:</p> <p>Property Tax Receipts are generated from levies by the county on property located within the district. The county collects the tax as part of its property tax bills then remits the hospital's portion to the hospital at various periods during a year. The projected amounts are based on the actual amounts and timing of receipt of funds during 2017.</p> <p>Tobacco Tax Receipts include a portion of the county's taxing of tobacco products. The county collects the taxes then remits the hospital's portion at various periods during the year. The projected amounts are based on the actual amounts and timing of receipt of funds during 2017.</p> <p>Medical Provider Reimbursement (AB 915) includes the federal matching funds of funds for unreimbursed costs for providing outpatient services to Medi-Cal recipients for covered benefits to compensate for the cost of providing Medi-Cal services which frequently exceeds the reimbursement rate Medi-Cal pays for those services. The hospital must apply for these funds based on a formula for providing the care. The hospital is responsible for paying all the costs. This reimbursement allows the hospital to obtain federal matching funds so that the unreimbursed costs would be split, with 50% coming from the hospital and 50% from the federal government. The projected amounts are based on the actual amounts and timing of receipt of funds during 2017.</p> <p>Medicaid Supplemental Reimbursement includes state funding to the hospital for providing acute care services. The hospital provides these acute care services and applies for funds from the state for certain costs to provide these services. The hospital must apply for these funds based on a prescribed formula for the cost of providing the care. The projected amounts are based on the actual amounts and timing of receipt of funds during 2016.</p> <p>Hospital Quality Assurance (SB239) established a program that imposes a Quality Assurance Fee (QAF) paid by the State of California for general acute care services and to assist with implementing the Affordable Care Act. The hospital provides these acute care services and applies for funds from the state for certain costs to provide these services. The hospital must apply for these funds based on a prescribed formula for the cost of providing the care. The projected amounts are based on the actual amounts and timing of receipt of funds during 2016. It is projected this funding will continue through 2018 then decrease through 2021 to zero thereafter.</p> <p>Prime Intergovernmental Transfer Medicaid Waiver (1115) provides the matching of public funds (100%) of federal funds to states to support for infrastructure and quality improvements for Medicaid enrollees and the uninsured. The hospital provides these acute care services and applies for funds from the state for certain costs to provide these services. The hospital must apply for these funds based on a prescribed formula for the cost of providing the care. The projected amounts are based on the actual amounts and timing of receipt of funds during 2016. It is projected this funding will continue through 2018 then decrease through 2021 to zero thereafter.</p> <p>Capitalized Intergovernmental Transfers for Medicaid provides for federal funding to each state based on the number of recipients and the costs to states. The hospital must apply for these funds based on a prescribed formula for the cost of providing the care. During 2015, amounts were not applied for.</p> <p>Hospital Quality Assurance Fee Program provides funding for supplemental payments to California hospitals that serve Medi-cal and uninsured patients. The funds for that program were approved in December 2017. The timing of receipt of payments is based on management's estimates.</p>

Southern Inyo Healthcare District
Notes to Financial Projections for Plan of Adjustment

THE FOLLOWING PROJECTIONS REPRESENT AN ESTIMATE OF FUTURE PERFORMANCE BASED UPON CERTAIN ASSUMPTIONS SET FORTH WITH SUCH PROJECTIONS. THESE FUTURE EVENTS MAY OR MAY NOT OCCUR, AND THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS WHICH WILL OCCUR. BECAUSE OF THE UNCERTAINTIES INHERENT IN PREDICTIONS OF FUTURE EVENTS AND EVENTS OUTSIDE OF THE DEBTOR'S CONTROL, THE ACTUAL CASH FLOW MAY WELL BE DIFFERENT FROM THAT PREDICTED, AND SUCH DIFFERENCE MAY BE MATERIAL AND ADVERSE TO THE INTERESTS OF CREDITORS.

Category/Line item	Description
<i>Parcel Property Tax and Transient Occupancy Tax</i>	The Board of Supervisors is consenting the allocation of a portion of the transient occupancy tax to the hospital. Additionally, the Board of Directors submitted to the public for voting a \$215 per parcel per year increase in property taxes which is projected to generate approximately \$602,000 per year in additional revenues, beginning in the second half of 2018.
Operating Cash Disbursements	
<i>Supplemental Funds</i>	Includes cash outlays to governments for the matching of funds required under the Hospital Quality Assurance (SB239), Medical Provider Reimbursement (AB 915), Prime Intergovernmental Transfer Medicaid Waiver (1115) and Capitalized Intergovernmental Transfers for Medicaid Supplemental Fundings as described above. The outlays are projected to occur in the month immediately prior to the projected receipt of the respective Supplemental Funding.
<i>Medical Supplies</i>	The expenditures are based upon the actual rates experienced during fiscal 2015 per the 2015 audited financial statements and adjusted for CPI on an annual basis.
<i>ER Physician Coverage</i>	Consist of the cost of non-employee emergency room doctors. A doctor is scheduled 365 days per year and 24 hours per day.
<i>Contracted Medical Directors/Consultants</i>	Includes the cost of non-employee doctors and an assistant administrator to oversee a unit in the hospital. The units include (i) Emergency Room, (ii) Skilled Nursing, and (iii) Healthcare Clinic. The costs are projected based on underlying contracts.
<i>Software Licenses</i>	Includes licenses and related services for electronic health records management and other software needed to operate the hospital.
<i>Utilities & Telephone</i>	The expenditures are based upon the actual rates experienced during fiscal 2015 per the 2015 audited financial statements and adjusted for CPI on an annual basis.
<i>Maintenance & Repairs</i>	The expenditures are based upon the actual rates experienced during fiscal 2015 per the 2015 audited financial statements and adjusted for CPI on an annual basis.
<i>Paydown of Post-Petition Accounts Payable</i>	Amounts are projected to be paid in the ordinary course based on contractual payment due dates.
<i>Employee Health Insurance</i>	Includes the employer portion of premiums for full time staff is 83% and 50% for part time employees. The amount represents the employer portion only. It is assumed future premium increases will be passed on to the employees. The amount excludes vision and dental insurance as the employee is responsible for the premiums for these policies.
Capital Expenditures & Borrowings	
<i>Purchase of Equipment</i>	The amount projected for 2018 is based on management estimates of equipment needing to be upgraded. For 2019 and beyond, the actual amounts are not known and placeholders has been established each year to allow for purchasing upgraded equipment and improvements. The actual amounts may be higher or lower than the projected amounts.
Consumer Price Index (CPI)	For certain expense items, the projected change in the projected consumer price index is based on the amounts per the Congressional Budget Office (https://www.cbo.gov/publication/51908).

Southern Inyo Healthcare District
Cash Flow Projections

	2018	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Operating Cash Receipts													
Patient Services	6,152,004	585,000	513,950	513,950	524,250	537,125	550,000	550,000	550,000	575,750	575,750	601,500	601,500
District Tax Revenues	901,766	-	-	-	378,435	-	-	-	32,938	-	45,394	-	445,000
Supplemental Funds	2,982,619	-	-	83,613	-	100,211	149,469	350,000	101,967	83,613	1,605,000	-	508,747
Transient Occupancy Tax	34,618	-	-	-	-	-	-	-	-	-	-	-	34,618
2018 Parcel Tax Increase	301,000	-	-	-	301,000	-	-	-	-	-	-	-	301,000
	10,372,008	585,000	513,950	597,563	1,203,685	637,336	699,469	900,000	684,905	659,363	2,226,144	601,500	1,890,865
Operating Cash Disbursements													
Supplemental Funds	1,092,410	-	-	-	-	51,000	175,000	-	-	650,000	216,410	-	-
Medical Supplies	645,115	54,287	54,287	54,287	54,287	54,287	54,287	54,287	54,287	54,287	54,287	54,287	54,287
Payroll & Related Taxes	4,680,324	368,351	368,351	455,624	368,351	368,351	455,624	368,351	368,351	455,624	368,351	368,351	455,624
Employee Health Insurance	189,022	16,067	16,067	16,067	16,067	16,067	16,067	16,067	16,067	16,067	16,067	16,067	16,067
ER Physician Coverage	848,844	72,152	72,152	72,152	72,152	72,152	72,152	72,152	72,152	72,152	72,152	72,152	72,152
Medical Directorships/Consulting	153,000	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005	13,005
Doctor's Housing	10,200	850	850	850	850	850	850	850	850	850	850	850	850
Software Licenses	350,600	29,801	29,801	29,801	29,801	29,801	29,801	29,801	29,801	29,801	29,801	29,801	29,801
Clinic Rent	25,060	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130
Utilities and Phone	319,360	27,146	27,146	27,146	27,146	27,146	27,146	27,146	27,146	27,146	27,146	27,146	27,146
Business Insurance	259,936	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095
Legal Fees	120,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Accounting & Tax	50,000	-	-	-	-	-	51,000	-	-	-	-	-	-
Maintenance & Repairs	51,000	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335
Real Property Taxes	2,242	-	-	-	1,155	-	-	-	1,155	-	-	-	-
Other	373,414	31,118	31,118	31,118	31,118	31,118	31,118	31,118	31,118	31,118	31,118	31,118	31,118
Outsourced Billing & Collections	180,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Post-Petition Creditors	-	460,880	-	-	-	-	-	-	-	-	-	-	-
	9,350,527	1,127,216	666,336	753,609	667,491	717,336	979,609	666,336	667,491	1,403,609	882,747	666,336	753,609
Operating Cash Flows	1,021,481	(542,216)	(152,386)	(156,047)	536,194	(80,000)	(280,140)	233,664	17,414	(744,247)	1,343,397	(64,836)	1,137,256

Southern Inyo Healthcare District
Cash Flow Projections

	2018	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Capital Expenditures													
Purchase of Equipment & Improvements	100,000			-	25,000		25,000	44,418			25,000		25,000
Capital Expenditure Reserve	100,000	-	-	-	25,000	-	25,000	44,418	-	-	25,000	-	25,000
Financing Activities													
Inyo County Treasure Loan	-	-	-	-	-	-	-	-	-	(650,000)	650,000	-	-
	-	-	-	-	-	-	-	-	-	(650,000)	650,000	-	-
Cash Flows before Plan Obligations	921,481	(542,216)	(152,386)	(156,047)	511,194	(80,000)	(305,140)	189,246	17,414	(94,247)	668,397	(64,836)	1,112,256
Plan Obligations													
Executory Contract Cure Claims	-	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550
Administrative & Professionals	-	200,000	24,286	24,286	24,286	24,286	24,286	24,286	24,286	24,286	24,286	24,286	24,286
Baker Hostetler	-												
Healthcare Conglomerates Associates	-	24,149	-	-	-	-	-	-	-	-	-	-	-
Nave Cortell LLP	-	34,321	-	-	-	-	-	-	-	-	-	-	-
Source Media	-	20,762	-	-	-	-	-	-	-	-	-	-	-
Province	-	3,940	-	-	-	-	-	-	-	-	-	25,000	-
General Unsecured Claims	-	288,721	29,836	29,836	29,836	29,836	29,836	29,836	29,836	29,836	29,836	54,836	29,836
Net Cash Flow	921,481	(830,938)	(182,222)	(185,882)	481,358	(109,836)	(334,976)	159,410	(12,422)	(124,082)	638,561	(119,672)	1,082,400
Beginning Cash	311,131	1,232,612	401,674	219,452	33,570	514,928	405,092	70,116	229,526	217,104	93,022	731,584	611,912
Ending Cash	1,232,612	401,674	219,452	33,570	514,928	405,092	70,116	229,526	217,104	93,022	731,584	611,912	1,694,302
Accumulated Capital Expenditure Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-

Southern Inyo Healthcare District
Cash Flow Projections

	2018	2019	2020	2021	2022	2023	2024	2025
Operating Cash Receipts								
Patient Services	6,152,004	6,678,775	6,463,533	6,657,439	6,857,162	7,062,877	7,274,764	7,493,007
District Tax Revenues	901,766	901,766	919,802	938,198	956,962	976,101	995,623	1,015,535
Supplemental Funds	2,982,619	2,982,619	2,839,772	1,396,567	1,424,498	1,452,988	1,482,048	1,511,689
Transient Occupancy Tax	34,618	34,618	34,618	34,618	34,618	34,618	34,618	34,618
2018 Parcel Tax Increase	301,000	602,000	602,000	602,000	602,000	602,000	602,000	602,000
	10,372,008	11,199,778	10,859,724	9,628,822	9,875,240	10,128,584	10,389,053	10,656,849
Operating Cash Disbursements								
Supplemental Funds	1,092,410	1,092,410	1,013,009	283,769	289,444	295,233	301,138	307,160
Medical Supplies	645,115	651,447	664,476	677,765	691,321	705,147	719,250	733,635
Payroll & Related Taxes	4,680,324	4,769,308	4,864,694	4,961,988	5,061,228	5,162,452	5,265,701	5,371,015
Employee Health Insurance	189,022	192,803	196,659	200,592	204,604	208,696	212,870	217,127
ER Physician Coverage	848,844	865,821	883,137	900,800	918,816	937,192	955,936	975,055
Medical Directorships/Consulting	153,000	156,060	157,945	160,492	163,090	165,739	168,442	171,199
Doctor's Housing	10,200	10,200	10,612	10,824	11,041	11,262	11,487	11,717
Software Licenses	350,600	357,612	350,600	350,600	325,600	325,600	150,600	150,600
Clinic Rent	25,060	25,561	27,460	28,660	29,860	29,860	29,860	29,860
Utilities and Phone	319,360	325,747	332,262	338,907	345,685	352,599	359,651	366,844
Business Insurance	259,936	265,134	270,437	275,846	281,363	286,990	292,730	298,584
Legal Fees	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Accounting & Tax	50,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000
Maintenance & Repairs	51,000	52,020	53,060	54,122	55,204	56,308	57,434	58,583
Real Property Taxes	2,242	2,309	2,379	2,450	2,523	2,599	2,677	2,757
Other	373,414	373,414	373,414	373,414	373,414	373,414	373,414	373,414
Outsourced Billing & Collections	180,000	180,000	183,600	187,272	191,017	194,838	198,735	202,709
Post-Petition Creditors	-	460,880	-	-	-	-	-	-
	9,350,527	9,951,727	9,554,744	8,978,501	9,115,210	9,278,930	9,270,925	9,441,261
Operating Cash Flows	1,021,481	1,248,052	1,304,981	650,321	760,030	849,654	1,118,127	1,215,588

**Southern Inyo Healthcare District
Cash Flow Projections**

	2018	2019	2020	2021	2022	2023	2024	2025
Capital Expenditures								
Purchase of Equipment & Improvements	100,000	144,418	100,000	100,000	100,000	100,000	100,000	100,000
Capital Expenditure Reserve	-	694,332	830,252	233,892	660,031	749,654	1,018,127	1,115,588
	100,000	838,750	930,252	333,892	760,031	849,654	1,118,127	1,215,588
Financing Activities								
Inyo County Treasure Loan	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Cash Flows before Plan Obligations	921,481	409,302	374,729	316,429	(1)	0	0	(0)
Plan Obligations								
Executory Contract Cure Claims	-	66,599	33,300	-	-	-	-	-
Administrative & Professionals	-	467,143	291,429	291,429	-	-	-	-
Baker Hostetler	-	-	-	-	-	-	-	-
Healthcare Conglomerates Associates	-	24,149	-	-	-	-	-	-
Nave Cortell LLP	-	34,321	-	-	-	-	-	-
Source Media	-	20,762	-	-	-	-	-	-
Province	-	28,940	50,000	25,000	-	-	-	-
General Unsecured Claims	-	-	-	-	-	-	-	-
	-	641,914	374,728	316,429	-	-	-	-
	-	-	-	-	-	-	-	-
Net Cash Flow	921,481	(232,612)	0	0	(1)	0	0	(0)
Beginning Cash	311,131	1,232,612	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Ending Cash	1,232,612	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Accumulated Capital Expenditure Reserve	-	-	830,252	1,064,144	1,724,175	2,473,829	3,491,956	4,607,544

Southern Inyo Healthcare District
Cash Receipts - Supplemental & District Funds

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
District Revenues												
Tobacco Tax Funds	-	-	-	81,525	-	-	-	-	-	-	-	-
Property Tax Revenue (Measure A, Resolution 505)	-	-	-	296,910	-	-	-	32,938	-	45,394	-	445,000
2018 Parcel Tax Increase	-	-	-	301,000	-	-	-	-	-	-	-	301,000
Net Cash flows From District Revenues	-	-	-	679,435	-	-	-	32,938	-	45,394	-	746,000
Supplemental Funds Receipts												
AB 915 Supplemental Funds	-	-	-	-	-	65,856	-	-	-	-	-	-
AB 113 Supplemental Funds	-	-	-	-	-	-	-	-	-	-	-	-
SB 239/ QA Fee Supplemental Funds	-	-	-	-	100,211	-	-	-	-	285,000	-	425,134
PRIME IGT (14/15) (Medicaid Section 1115 Waiver)	-	-	-	-	-	-	350,000	-	-	1,320,000	-	-
PRIME IGT (15/16)	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized Rates (Rate Range) IGT	-	-	-	-	-	-	-	101,967	-	-	-	-
Hospital Quality Assurance	-	-	83,613	-	-	83,613	-	-	83,613	-	-	83,613
	-	-	83,613	-	100,211	149,469	350,000	101,967	83,613	1,605,000	-	508,747
Outflows for Supplemental Funds (Temporary)												
AB 113 Supplemental Funds	-	-	-	-	-	-	-	-	-	-	-	-
SB 239/ QA Fee Supplemental Funds	-	-	-	-	-	-	-	-	-	216,410	-	-
PRIME IGT (14/15)	-	-	-	-	-	175,000	-	-	650,000	-	-	-
PRIME IGT (15/16)	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized Rates (Rate Range) IGT	-	-	-	-	51,000	-	-	-	-	-	-	-
	-	-	-	-	51,000	175,000	-	-	650,000	216,410	-	-
Net Cash flows From Supplemental Funds	-	-	83,613	-	49,211	(25,531)	350,000	101,967	(566,387)	1,388,590	-	508,747

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Southern Inyo Healthcare District
Debt Rollforwards

	2018	2019	2020	2021	2022	2023	2024	2025
Baker Hostetler								
Beginning Balance	1,050,000	1,050,000	582,857	291,429	0	0	0	0
Payment	-	(467,143)	(291,429)	(291,429)	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Ending Balance	1,050,000	582,857	291,429	0	0	0	0	0
Prepetition Executory Contract Cure Claims								
Beginning Balance	99,899	99,899	33,300	(0)	(0)	(0)	(0)	(0)
Payment	-	(66,599)	(33,300)	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Ending Balance	99,899	33,300	(0)	(0)	(0)	(0)	(0)	(0)
General Unsecured Claims Incl. Convenience Class								
Beginning Balance	103,940	103,940	75,000	25,000	-	-	-	-
Payment	-	(28,940)	(50,000)	(25,000)	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Ending Balance	103,940	75,000	25,000	-	-	-	-	-

EXHIBIT 6

Claimant	Claim Amount
ABC Fire Service	\$5,109
Alliant Insurance Service	\$999
ATI	\$615
Bishop Welding Supply	\$3,788
Blue Shield of CA	\$55,281
CAHHS UI Division	\$600
Cynthia Rios	\$174
Dept of Water and Power	\$3,595
EDD	\$106,207
Fed Ex	\$100
Fed Ex Freight	\$40
Frontier Communications	\$13,462
Immucor Inc	\$136
Inetba	\$3,221
Inyo County Treasurer	\$2,359
Inyo County Water System	\$609
Jackson Health & Theater	\$1,139
Jacqueline Iboa	\$801
Jeff Sheffield	\$267
Landauer	\$356
Lindsey Hughes	\$154
Maritza Perkins	\$69
Mary Gonzales	\$767
Mary Stewart	\$200
Microsoft Corp	\$307
Praxair Distribution Inc	\$6,268
Renaissance Imaging	\$15,920
Ronald Ostrom	\$13,731
Rosetta Garza	\$447
Sharon Fong	\$130
Sierra Security Systems	\$50
US Foods Reno Sierra NV	\$7,919
Landauer	\$338
Dept of Water and Power	\$8,032
Praxair Distribution Inc	\$30,680
Beta Healthcare Group	\$42,970
Abbot Labs	\$45
Karen Brackney	\$195
Fort Independence Travel	\$1,044
Inyo County Treasurer	\$1,125
EDD	\$1,474
CAHHS UI Division	\$600
Lone Pine Mobil	\$43
CA Broadband Cooperative	\$5,377
Beta Healthcare Group	\$3,592

Sierra Security Systems	\$544
Inyo County Water Systems	\$938
Lab Corp of America	\$5,531
Fed Ex	\$177
Renaissance Imaging	\$20,073
Frontier Communications	\$11,176
Cesar Ledesma	\$341
Beta Healthcare Group	\$70,745
Lyne Bunn	\$11,021

EXHIBIT 7

Claimant	Scheduled Amount	Proof of Claim No.	Proof of Claim Amount	Claim Amount Per Plan
Abbot Laboratories	\$1,511.91	n/a	n/a	\$ 1,511.91
ABC Fire Service	\$3,168.17	n/a	n/a	\$ 3,168.17
Ability Network Inc.	\$3,627.00	n/a	n/a	\$ 3,627.00
Action Capital Corporation	n/a	20-1	\$185,600.35	\$ 185,600.35
Adventist Health System/West	\$26,171.74	37	\$29,480.44	\$ 29,480.44
Aetna, Inc	\$722.70	42	\$1,023.26	\$ 1,023.26
AHA	\$2,655.00	n/a	n/a	\$ 2,655.00
Alco Sales & Service Co.	\$655.30	n/a	n/a	\$ 655.30
Alere No America	\$1,334.22	n/a	n/a	\$ 1,334.22
Alpha Fund Workers Comp.	\$10,500.00	n/a	n/a	\$ 10,500.00
Altaware, Inc.	\$2,160.00	n/a	n/a	\$ 2,160.00
Alturdyne	\$1,555.50	n/a	n/a	\$ 1,555.50
American Profeiciency Inst.	\$4,265.00	n/a	n/a	\$ 4,265.00
Amerigas	\$370.62	n/a	n/a	\$ 370.62
Antelope Valley Flue	\$280.00	n/a	n/a	\$ 280.00
Asana Heritage Telemed	\$14,168.00	n/a	n/a	\$ 14,168.00
Aspen Street Architects, Inc.	\$19,525.09	n/a	n/a	\$ 19,525.09
ATI Medical Waste Management	\$1,308.00	n/a	n/a	\$ 1,308.00
Barron, Lee	Unknown	16	\$81,368.12	\$ 81,368.12
BC / BS Federal	\$1,215.00	n/a	n/a	\$ 1,215.00
Beta Healthcare Group	\$596.59	n/a	n/a	\$ 596.59
Beta Healthcare Group	\$7,798.34	n/a	n/a	\$ 7,798.34
Bishop Welding Supply	\$7,043.46	27	\$7,894.96	\$ 7,894.46
Blue Cross	\$833.27	n/a	n/a	\$ 833.27
Blue Shield of CA	\$1,822.85	9	\$959.10	\$ 959.10
Boone, Donna McAuley	\$948.75	n/a	n/a	\$ 948.75
Bramhall, Frances Anne	\$345.00	n/a	n/a	\$ 345.00
Briggs Corporation	\$1,993.82	n/a	n/a	\$ 1,993.82
BSC Supply	\$1,043.43	n/a	n/a	\$ 1,043.43
Bushell, Doug	\$19,800.00	n/a	n/a	\$ 19,800.00
By Referral Labels Inc.	\$325.47	n/a	n/a	\$ 325.47
CA Broadband Cooperative	\$7,350.00	n/a	n/a	\$ 9,450.00
CA Critical Access	\$5,000.00	n/a	n/a	\$ 5,000.00
CA Hospital Assoc.	\$12,054.00	n/a	n/a	\$ 12,054.00
CAHF	\$666.00	n/a	n/a	\$ 666.00
CAHHS/CHA	\$2,701.00	n/a	n/a	\$ 2,701.00
California Valued Trust	\$2,867.50	n/a	n/a	\$ 2,867.50
Canon Financial Services	\$1,217.20	19	\$84,275.90	\$ 84,275.90
Cardinal Health 110, LLC	\$12,993.53	31	\$15,064.77	\$ 14,226.49
Cardinal Health 200, LLC	\$14,953.19	30	\$14,892.57	\$ 14,892.57
CareFusion Solutions, LLC	\$4,018.98	45	\$4,108.98	\$ 4,108.98
CBI Craigsbook Inc.	\$1,134.00	n/a	n/a	\$ 1,134.00
Celleration Inc.	\$8,132.52	n/a	n/a	\$ 8,132.52
Cendecon	\$840.00	n/a	n/a	\$ 840.00

Claimant	Scheduled Amount	Proof of Claim No.	Proof of Claim Amount	Claim Amount Per Plan
Centurion Medical Product	\$815.19	n/a	n/a	\$ 815.19
Certified Medical Testing	\$866.25	n/a	n/a	\$ 866.25
CHA	\$5,232.00	n/a	n/a	\$ 5,232.00
Cigna Healthcare	\$565.60	n/a	n/a	\$ 565.60
Coast to Coast Computer	\$259.20	n/a	n/a	\$ 259.20
Coast to Coast Healthcare	\$223,404.55	n/a	n/a	\$ 223,404.55
Cook Medical Inc.	\$336.09	n/a	n/a	\$ 336.09
Covidien	\$9,867.00	2	\$9,867.00	\$ 9,867.00
CSAC Excess Ins	\$1,096.26	n/a	n/a	\$ 1,096.26
CTN	\$53,000.00	n/a	n/a	\$ 53,000.00
Daily Independent	\$957.10	n/a	n/a	\$ 957.10
De Silva MD, Udaya	\$8,120.86	n/a	n/a	\$ 8,120.86
Department of Water and Power, City of Los Angeles	\$90,000.00	11	\$43,773.83	\$ 43,773.83
Dewey Pest Control	\$781.00	n/a	n/a	\$ 781.00
Dharmaraja, Prithviraj	\$926.51	n/a	n/a	\$ 926.51
Direct Supply, Inc.	\$6,559.01	17	\$6,559.01	\$ 6,559.01
DTSC	\$322.50	n/a	n/a	\$ 322.50
Dwaynes Friendly Pharmacy	\$2,182.68	n/a	n/a	\$ 2,182.68
E Sierra Propane #7869	\$332.50	n/a	n/a	\$ 332.50
E Sierra Propane #7870	\$2,182.68	n/a	n/a	\$ 2,182.68
El Sol de la Sierra	\$340.00	n/a	n/a	\$ 340.00
Emergency Medical Product	\$600.31	n/a	n/a	\$ 600.31
Employment Develop Dept.	\$4,150.62	39	\$7,300.84	\$ 7,300.84
Employment Develop Dept.	\$4,150.62	46	\$144,047.61	\$ 144,047.61
EUJ Corp.	\$1,831.62	n/a	n/a	\$ 1,831.62
Fasthealth Corporation	\$5,250.00	n/a	n/a	\$ 5,250.00
Ferguson, Earl W.	\$3,067.85	n/a	n/a	\$ 3,067.85
First Financial Corp. Lease	\$115,256.82	n/a	n/a	\$ 115,256.82
Fisher Scientific Co LLC	Unknown	10	\$12,443.46	\$ 12,443.46
Focus & Execute	\$2,699.81	n/a	n/a	\$ 2,699.81
Fusion Medical Staffing LLC	\$9,000.00	35	\$9,000.00	\$ 9,000.00
Gardners True Value	\$1,521.55	n/a	n/a	\$ 1,521.55
GE Healthcare Diagnostic Imaging	\$48,440.70	29	\$3,690.01	\$ 3,690.01
GE Healthcare Diagnostic Imaging	\$48,440.70	5	\$53,695.39	\$ 53,695.39
GE Healthcare Diagnostic Imaging	\$48,440.70	47	\$25,830.07	\$ 25,830.07
GE HFS, LLC	\$48,440.70	38	\$133,868.74	\$ 133,868.74
Giovanine, Teri	\$428.76	40	\$837.74	\$ 837.74
Globalstar	\$1,388.21	n/a	n/a	\$ 1,388.21
Gorlick, Lisa	\$2,702.50	n/a	n/a	\$ 2,702.50
Great Country Broadcasting, Inc.	n/a	34	\$2,533.75	\$ 2,533.75
Hamblins Plumbing	\$501.45	n/a	n/a	\$ 501.45
HC PRO	\$464.10	n/a	n/a	\$ 464.10
Healthcare Reimbursement	\$2,750.00	n/a	n/a	\$ 2,750.00

Claimant	Scheduled Amount	Proof of Claim No.	Proof of Claim Amount	Claim Amount Per Plan
Healthland Inc.	\$4,349.34	n/a	n/a	\$ 4,349.34
Helmer Scientific	\$3,742.09	n/a	n/a	\$ 3,742.09
Home Depot Credit Service	\$1,034.69	n/a	n/a	\$ 1,034.69
Hospital Counsel North & Central CA	\$8,327.00	n/a	n/a	\$ 8,327.00
Immucor, Inc.	\$936.91	1	\$936.91	\$ 936.91
Inetba	\$13,289.06	41	\$13,289.06	\$ 13,289.06
Inyo County Water System	\$4,008.97	n/a	n/a	\$ 4,389.25
Inyo Register	\$644.33	n/a	n/a	\$ 644.33
J&J Health Care Systems	\$6,108.99	n/a	n/a	\$ 6,108.99
Jones MD, Milton R	\$51,895.00	14	\$51,895.00	\$ 51,895.00
Josephs Market	\$308.18	n/a	n/a	\$ 308.18
JWT & Associates LLC	\$29,499.98	n/a	n/a	\$ 29,499.98
KISS FM	\$2,500.00	n/a	n/a	\$ 2,500.00
Kleine, Anita	\$1,666.00	n/a	n/a	\$ 1,666.00
Kritz, Leroy	\$80,000.00	26	\$80,000.00	\$ 80,000.00
KSRW Sierra Wave	\$768.00	n/a	n/a	\$ 768.00
Labcorp of America	\$756.10	n/a	n/a	\$ 756.10
Laboratory Specialists	\$3,713.29	n/a	n/a	\$ 3,713.29
Luo, Chong	\$15,529.56	n/a	n/a	\$ 15,529.56
Mammoth Hospital	\$98,181.13	n/a	n/a	\$ 98,181.13
McKesson Medical Surgical Inc	\$2,118.74	15	\$2,295.43	\$ 2,295.43
Medassets Inc.	\$8,640.00	n/a	n/a	\$ 8,640.00
Medical Imaging Consulting, Inc.	\$2,850.00	n/a	n/a	\$ 2,850.00
Medical Solutions Inc.	\$133,958.42	n/a	n/a	\$ 133,958.42
Med-RT LLC	\$10,800.00	n/a	n/a	\$ 10,800.00
MedTox Diagnostics, Inc.	\$1,271.70	18	\$1,271.70	\$ 1,271.70
Microsoft Corp.	\$900.00	n/a	n/a	\$ 900.00
Mirogenics Corp.	\$993.50	n/a	n/a	\$ 993.50
MIT LLC	\$1,175.00	n/a	n/a	\$ 1,175.00
MJL & Associates	\$9,000.00	6	\$9,000.00	\$ 9,000.00
Model Dairy, LLC	\$3,726.96	23	\$4,029.72	\$ 4,029.72
Moore Medical LLC	\$5,941.80	n/a	n/a	\$ 5,941.80
MXR	\$3,201.29	n/a	n/a	\$ 3,201.29
NARHC	\$450.00	n/a	n/a	\$ 450.00
Nave & Cortell LLP	\$15,120.50	n/a	n/a	\$ 15,120.50
Northern Inyo Hospital	\$2,362.62	n/a	n/a	\$ 2,362.62
Novarad Corporation	\$6,888.16	n/a	n/a	\$ 6,888.16
NRACO Service Corp.	\$152,500.00	n/a	n/a	\$ 152,500.00
Office of Statewide Health Plan	\$5,405.32	32	\$5,405.32	\$ 5,405.32
Olive, Leonard	\$6,910.20	n/a	n/a	\$ 6,910.20
Omnicell Inc.	\$8,284.16	n/a	n/a	\$ 8,284.16
Onestaff Medical	\$49,237.50	n/a	n/a	\$ 49,237.50
Ossur North America Inc.	\$823.24	n/a	n/a	\$ 823.24
Overpayment Recovery	\$6,085.05	n/a	n/a	\$ 6,085.05

Claimant	Scheduled Amount	Proof of Claim No.	Proof of Claim Amount	Claim Amount Per Plan
Pacific Telemanagement	\$510.48	n/a	n/a	\$ 510.48
Patterson Medical	\$1,729.76	n/a	n/a	\$ 1,729.76
Petrak & Associates, Inc.	\$16,848.50	n/a	n/a	\$ 16,848.50
Pitney Bowes Global	\$724.70	n/a	n/a	\$ 724.70
Pitney Bowes Reserve Account	\$400.00	n/a	n/a	\$ 400.00
Plumbing Company	\$425.00	n/a	n/a	\$ 425.00
Praxair Distribution Inc.	\$27,748.45	24	\$42,679.67	\$ 42,679.67
Pre-employ.com	\$3,082.66	12	\$3,173.25	\$ 3,173.25
Preferred Septic & Disp	\$3,462.42	n/a	n/a	\$ 3,442.13
Premier ER Physicians CA	\$445,158.16	n/a	n/a	\$ 445,158.16
Prognosis Innovation Healthcare	\$54,129.32	n/a	n/a	\$ 54,129.32
Quang Dink Vo, Inc	\$1,065.36	n/a	n/a	\$ 1,065.36
R&D Systems, Inc.	\$444.96	n/a	n/a	\$ 444.96
RD's For Healthcare, Inc.	\$447.20	n/a	n/a	\$ 447.20
ReadyLink, Inc.	\$38,984.60	8	\$55,161.81	\$ 55,161.81
Recovery Services - United Healthcare	\$949.70	n/a	n/a	\$ 949.70
Relayhealth, Inc.	\$7,978.85	n/a	n/a	\$ 7,978.85
Relias Learning, LLC	\$4,078.65	n/a	n/a	\$ 4,078.65
Renaissance Imaging Medical Assoc Inc.	\$6,715.00	n/a	n/a	\$ 6,715.00
Ringcentral, Inc.	\$23,357.10	n/a	n/a	\$ 23,357.10
Saeger MD, Kenneth L.	\$12,833.33	n/a	n/a	\$ 12,833.33
Sanofi Pasteur, Inc.	\$6,508.53	4	\$6,508.53	\$ 6,508.53
Satcom Global Inc.	\$444.00	n/a	n/a	\$ 444.00
Schulyer House	\$1,200.00	n/a	n/a	\$ 1,200.00
Schumacher MD, Dennis J.	\$6,700.00	n/a	n/a	\$ 6,700.00
Siemens Healthcare Diagnostics, Inc.	\$3,370.21	36	\$3,679.09	\$ 3,679.09
Sierra Fire Sprinkler, Inc.	\$400.00	n/a	n/a	\$ 400.00
Sierra Reader	\$1,566.00	n/a	n/a	\$ 1,566.00
SIH Donation Account	\$1,914.04	n/a	n/a	\$ 1,914.04
Sotera Wireless, Inc.	\$47,720.42	n/a	n/a	\$ 47,720.42
SourceOne Healthcare Technologies	\$1,701.29	3	\$1,701.29	\$ 1,701.29
Southeast Publications	\$1,218.00	n/a	n/a	\$ 1,218.00
Southern Mono Healthcare District	n/a	21	\$91,242.00	\$ 91,242.00
Spiedel, Sandra Sue	\$486.40	n/a	n/a	\$ 486.40
Staples Credit Plan	\$4,121.50	n/a	n/a	\$ 4,121.50
Stewart, Mary	\$850.00	n/a	n/a	\$ 850.00
Streck	\$843.03	n/a	n/a	\$ 843.03
T System, Inc.	\$2,789.36	n/a	n/a	\$ 2,789.36
Telequality Communication	\$550.00	n/a	n/a	\$ 550.00
Thomas Petroleum	\$1,212.18	n/a	n/a	\$ 1,212.18
Tiger Direct	\$6,680.07	n/a	n/a	\$ 6,680.07
Tosoh Bioscience Inc.	\$2,142.00	n/a	n/a	\$ 2,142.00
Tri Anim Health Services	\$335.56	n/a	n/a	\$ 335.56
United Blood Services/Blood Systems Inc.	\$1,855.00	n/a	n/a	\$ 1,855.00

In re Southern Inyo Healthcare District
Class 3 - General Unsecured Claims

Claimant	Scheduled Amount	Proof of Claim No.	Proof of Claim Amount	Claim Amount Per Plan
United Healthcare Insurance Company	\$1,245.41	n/a	n/a	\$ 1,245.41
UnitedHealthcare Insurance Company	\$1,893.80	7	\$1,245.41	\$ 1,245.41
Uptodate	\$5,600.00	n/a	n/a	\$ 5,600.00
US Foods, Inc.	\$35,539.19	44	\$35,540.41	\$ 35,540.41
Usarad Holdings Inc.	\$500.00	n/a	n/a	\$ 500.00
Vander Wall, Dean	\$32,400.00	28	\$32,400.00	\$ 32,400.00
Verizon California	\$4,404.58	n/a	n/a	\$ 4,404.58
Werking, Andy	\$11,000.00	n/a	n/a	\$ 11,000.00
Wilson, Colleen R.	\$911.00	n/a	n/a	\$ 911.00

EXHIBIT 8

Claimant	Scheduled Amount	Proof of Claim No.	Proof of Claim Amount	Claim Amount Per Plan
121 Medical Inc.	\$188.48	n/a	n/a	\$100.00
Alger Company Inc.	\$152.17	n/a	n/a	\$100.00
Alpha Fund	\$18.70	n/a	n/a	\$18.70
American Business Machine	\$16.00	n/a	n/a	\$16.00
Anderson, Jack R.	\$20.00	n/a	n/a	\$20.00
Anderson, Keith J.	\$205.89	n/a	n/a	\$100.00
Anthem Blue Cross CA	\$110.74	n/a	n/a	\$100.00
Berguem, Said	\$20.00	n/a	n/a	\$20.00
Bermudez, Lisa	\$10.00	n/a	n/a	\$10.00
Bobby Pourziaee DPM Inc.	\$199.54	n/a	n/a	\$100.00
CA ST Disbursement Unit	\$92.30	n/a	n/a	\$92.30
CA Valued Trust	\$213.50	n/a	n/a	\$100.00
California Broadband Services	\$0.00	n/a	n/a	\$0.00
California Health & Wellness	\$62.34	n/a	n/a	\$62.34
Carstens	\$140.93	n/a	n/a	\$100.00
Cattabriga, Diane	\$240.00	n/a	n/a	\$100.00
CG Roxanne	\$42.00	n/a	n/a	\$42.00
Cianfarano, Sean A.	\$20.00	n/a	n/a	\$20.00
Crispin, Jean	\$0.00	n/a	n/a	\$0.00
Daugherty, Veronica	\$20.00	n/a	n/a	\$20.00
Definiti	\$21.60	n/a	n/a	\$21.60
Dittman, Bryon	\$55.00	n/a	n/a	\$55.00
Eastern Sierra Propane	\$0.00	n/a	n/a	\$0.00
Eaxact Staff	\$35.00	n/a	n/a	\$35.00
ECRI Institute	\$0.00	n/a	n/a	\$0.00
Fedex	\$183.55	n/a	n/a	\$100.00
Fino, Olivia Godoy	\$20.00	n/a	n/a	\$20.00
GEHA	\$86.00	n/a	n/a	\$86.00
Global Services PLC	\$240.00	n/a	n/a	\$100.00
Haack, Andreas	\$212.00	n/a	n/a	\$100.00
Hampton, Joel	\$20.00	n/a	n/a	\$20.00
Hardy Diagnostics	\$53.72	n/a	n/a	\$53.72
Health Care Logistics	\$194.70	n/a	n/a	\$100.00
Health Net	\$188.00	n/a	n/a	\$100.00
Hospira Worldwide Inc.	\$0.00	n/a	n/a	\$0.00
Independence Lions Club	\$80.00	n/a	n/a	\$80.00

Claimant	Scheduled Amount	Proof of Claim No.	Proof of Claim Amount	Claim Amount Per Plan
Inyo Co Environmental	\$178.00	n/a	n/a	\$100.00
Inyo Co Sheriffs Office	\$55.00	n/a	n/a	\$55.00
Kemp, Mandy	\$111.67	n/a	n/a	\$100.00
Labsco	\$232.63	n/a	n/a	\$100.00
Lambdin, Julie	\$10.00	n/a	n/a	\$10.00
Lamos, Paul	\$9.61	n/a	n/a	\$9.61
Landauer Inc.	\$166.92	n/a	n/a	\$100.00
Leggett, Beverly L.	\$238.00	n/a	n/a	\$100.00
Lone Pine Cable	\$0.00	n/a	n/a	\$0.00
Luna, Vianey	\$20.00	n/a	n/a	\$20.00
Med Pass Inc.	\$119.50	n/a	n/a	\$100.00
Mettler Electronics Corp.	\$114.25	n/a	n/a	\$100.00
Micro Technology Inc.	\$185.00	n/a	n/a	\$100.00
Newell, Beverly	\$107.48	n/a	n/a	\$100.00
Noridian Medicare	\$37.42	n/a	n/a	\$37.42
Olancho Cartago FD	\$30.00	n/a	n/a	\$30.00
Palmetto GBA, LLC	\$65.93	n/a	n/a	\$65.93
QTC Medical Group A+	\$40.00	n/a	n/a	\$40.00
Quill Corp.	\$187.42	n/a	n/a	\$100.00
Reid MD, Thomas K.	\$150.63	n/a	n/a	\$100.00
Shell	\$35.50	n/a	n/a	\$35.50
Shippert Medical Technology	\$128.00	n/a	n/a	\$100.00
SISC	\$194.79	n/a	n/a	\$100.00
Steris Corporation	\$94.89	n/a	n/a	\$94.89
United Teacher Association	\$35.09	n/a	n/a	\$35.09
Waddell, Sarah	\$130.00	n/a	n/a	\$100.00
WPS/Tricare	\$13.60	n/a	n/a	\$13.60
Zoll Medical Corp.	\$115.15	n/a	n/a	\$100.00

EXHIBIT 9

In re Southern Inyo Healthcare District
Cure Claims

Name of Creditor	Type of Agreement	Summary of Contractual Terms	Scheduled Amount	Proof of Claim Amount	Postpetition Amount	Total Cure Amount
Abbot Laboratories	Supply Contract	Agreement to provide diabetes testing supplies and equipment. Term - renewable one year (July to June)	\$1,511.91	n/a	\$0.00	\$1,511.91
Alpha Fund Workers Comp.	Workers' Comp Insurance Policy	Term - renewable one year (July to June)	\$10,518.70	n/a	\$0.00	\$10,518.70
Beta Healthcare Group	D&O Insurance Policy	Term - renewable one year (July to June)	\$8,394.93	n/a	\$0.00	\$0.00
Johnson & Johnson	Service Agreement	Agreement for the provision of medical supplies and equipment. Subscription for "Azure Information Protection Plan 1"	\$0.00	n/a	\$6,116.21	\$6,116.21
Microsoft Corp.	Service Agreement		\$900.00	n/a	\$148.00	\$1,048.00
Novarad Corp.	Service Agreement		\$6,888.16	n/a	\$2,296.09	\$9,184.25
Praxair Distribution, Inc.	Supply Contract/Service Agreement	Agreement for the supply of oxygen and other industrial gases as well as tanks	\$27,748.45	\$42,679.67	\$21,959.79	\$64,639.46
Siemens Financial Services, Inc.	Lease Agreement	Lease for CA-530 Coagulation Analyzer	\$3,370.21	\$3,679.09	\$2,706.56	\$6,385.65
Sierra Security Systems, Inc.	Service Agreement	Agreement for fire alarm monitoring services	\$445.50	n/a	\$49.50	\$495.00